

# Sensys Gatso Group AB

## Interim Report

### January - March 2018



### January - March 2018

- Net sales MSEK 71.7 (70.7)
- Order intake MSEK 52.8 (68.6)
- Operating profit MSEK -14.9 (-17.3)
- EBITDA MSEK -6.0 (-7.6)
- The profit after tax MSEK -13.1 (-16.4)
- Total Comprehensive income MSEK -1.7 (-16.4)
- Earnings per share, before and after dilution, SEK -0.02 (-0.02)
- Cash flow from operating activities amounted to MSEK 3.5 (-8.5)

## COMMENTS FROM THE CEO

### **Anticipated slow start**

We closed the financial year 2017 with a good total order intake of approximately SEK 350 million. Due to lower order intake levels in the second and third quarter of 2017, we had anticipated a slow start of 2018. The sales in the first quarter amounted to SEK 72 million, which is in line with the sales of the first quarter 2017. These sales are mainly driven by repeat orders, service and maintenance and managed services from our existing customer base. Our US business was still suffering from May 2017 Iowa court ruling. After the quarter the Supreme court has reversed the decision authorizing Iowa Department of Transportation to Regulate Cities' Automated Traffic Enforcement Cameras. We expect to reactivate the cameras and resume normal operations as early as June, resulting in recommenced sales as of the second half of the year.

### **Two major procurement awards**

The total order intake amounted to SEK 53 million. On top of that we received procurement awards from Finland and the Middle East with a total potential additional order intake value of SEK 122 million. The procurement award from Finland has been won based on our excellent product and service performance in Sweden and our close connection to the Swedish Vision Zero Initiative. We are now finalizing the contract details. First orders related to this award are expected in 2018. The award from the Middle East is based on our successful in-vehicle traffic enforcement solution. In March we received the first order related to this award for a total amount of 8 million.

### **Continued cost control**

The expenses have decreased in the quarter to SEK 40 million compared to SEK 42 million for the comparative period. The expenses are in line with the full year 2017 expenses, normalised for the one-off effect of the provision on a Middle East customer to the amount of approximately SEK 10 million taken into 2017. We continue to evaluate the possibilities to make our cost base more flexible to better support our volatile business model.

### **Available cash**

Our available cash at the end of the quarter was SEK 122 million, consisting of SEK 67 million in cash and SEK 55 million available credit facilities. The lower sales volume in the quarter compared to Q4 2017 has resulted in a lower working capital need. As a result of this, cash flow from operations improved with SEK 11 million to positive approximately SEK 3.5 million compared to the fourth quarter last year.

### **Currency effects**

Being an international company we are exposed to currency effects. The impact on the operating profit is minimal. The net financial item has been negatively impacted due to the currency effect on the vendor loan in Euro being translated into Swedish kronor.

### **Outlook**

Due to our increased sales efforts we have been awarded two major procurement awards on top of our regular order intake of 53 million. These two procurement awards have been received from Finland and the Middle East, for a total potential additional value of 122 million. To a large extent we expect these awards to translate into orders in 2018. The exact timing of this, however, is of course depending on the needs of our customers.

**Ivo Mönnink**  
**CEO, Sensys Gatso Group**

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## FINANCIAL SUMMARY

### Key indicators (unadjusted)

SEK thousands	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Net sales	71,681	70,745	293,094
Order intake	52,798	68,570	348,918
Operating profit	-14,874	-17,292	-54,764
Operating margin (%)	Neg	Neg	Neg
Gross margin (%)	34.9	35.3	39.6
Profit for the period	-13,074	-16,366	-61,846
Earnings per share (SEK)	-0.02	-0.02	-0.07
Cash flow from operations	3,527	-8,523	-39,250

### EBITDA

SEK thousands	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Operating profit	-14,874	-17,292	-54,764
Depreciation tangible and intangible fixed assets	3,590	4,119	17,175
Amortization of acquired intangible assets <sup>1</sup>	5,318	5,561	21,725
<b>EBITDA</b>	<b>-5,966</b>	<b>-7,612</b>	<b>-15,864</b>

1) Amortisation of intangible fixed assets recognized as part of the acquisition of the Gatso Beheer

## Financial results Group

### January – March 2018

Net sales in the first quarter, amounted to SEK 71.7 million (70.7) and consisted primarily of deliveries and services to customers in Sweden and various smaller orders from existing customers globally. The segment System Sales contributed SEK 62.2 (58.8) million and Managed Services contributed SEK 10.6 (12.8) million to the net sales of the first quarter including inter-segment transactions.

The gross margin for the quarter was 34.9 percent (35.3).

Order intake during the first quarter totalled SEK 52.8 million (68.6) and mainly relates to orders received from our customers in Middle East, Eastern Europe and USA. On top of that we received procurement awards from Finland and the Middle East with a total potential additional order intake value of 122 million. In March we received the first order for a total amount of 8 million related to the Middle East procurement awards.

The operating expenses totalled SEK 39.9 million (42.3) including amortisation of intangible fixed assets recognized as part of the acquisition to the amount of SEK 5.3 million (5.6).

The operating profit for the first quarter totalled SEK -14.9 million (-17.3) and the profit after taxation totalled SEK -13.1 million (-16.4).

### Investments

During the period January to March 2018 the investments in fixed assets amounted to SEK 4.5 million (2.0) of which SEK 4.2 (2.0) million relates to tangible fixed assets and SEK 0.3 (0.0) million relates to intangible fixed assets. The investment in Tangible fixed assets mainly relates to upgrading the Haarlem testing facilities and part of the offices.

### Financial position

The Group's equity at the end of the period totalled SEK 418.4 million (370.2), producing an equity/assets ratio of 66.8 percent (64.6). Net interest-bearing debt amounted to SEK 28.1 million (76.9). The net interest bearing debt has been effected by the new share issue in the fourth quarter of 2017 which resulted in a net cash inflow of SEK 87.2 million.

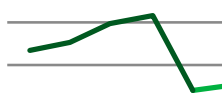
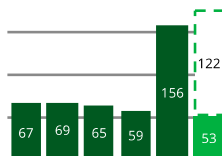
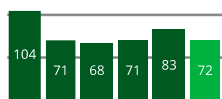
KSEK	31 Mar 2018	31 Mar 2017	31 Dec 2017
Short-term liabilities	35,710	17,507	26,193
Long-term liabilities	58,955	80,386	56,160
Cash and bank	-66,546	-20,993	-58,931
<b>Net debt</b>	<b>28,119</b>	<b>76,900</b>	<b>23,422</b>

### The Sensys Gatso share

The number of shares at the end of the period was 844,913,669 (657,155,077). The average number of shares during the period was 844,913,669 (657,155,077).

### Personnel

The average number of full time employees was 153 people (159). The number of employees at the end of the period was 170 (175), whereof a part being part-time employees, to be compared with 169 at the end of the financial year 2017.



## Business Segments

The two main segments used for internal reporting and managing the different operations are System Sales and Managed Services.

### System Sales

Systems sales amounted to SEK 62.2 million (58.8) in the first quarter of 2018.

Sales in the segment System Sales relates to one-off system sales and recurring revenue from service and maintenance. In this segment the service and maintenance sales provide a solid income evenly spread throughout the year. The one-off system sales in 2018 relate to repeat orders from our existing customers.

The order intake for the segment Systems Sales amounted to SEK 47.8 million (66.6) in the quarter mainly relating to orders from our customers in the Middle East and eastern Europe.

The segment has incurred a negative EBITDA of SEK -5.1 million (-8.5) in the first quarter. Compared to the first quarter 2017 this is an improvement of EBITDA of SEK 3.4 million mainly caused by a lower cost base.

The EBITDA over the past six quarters has been volatile. The drop in EBITDA compared to the fourth quarter 2017 is mainly due to lower revenue in the segment, SEK 62.2 million in the first quarter compared to SEK 72.3 million in Q4. Despite the drop in EBITDA in the first quarter we can still see a rising EBITDA trend as of the first quarter 2017.

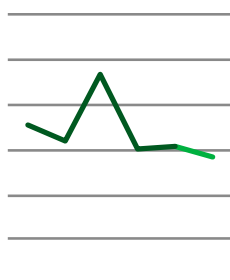
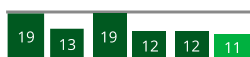
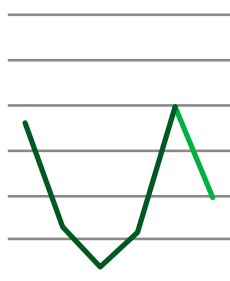
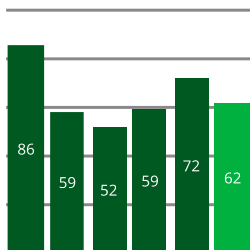
### Managed Service

Managed Services sales amounted to SEK 10.6 million (12.8) in the first quarter of 2018. In May 2017 Sensys Gatso has suspended interstate speed enforcement services in Iowa, following the decision of the Iowa District Court in Polk County. The first quarter of 2017 contains revenues from these interstates, resulting in a higher sales.

During the quarter a new contract has been awarded to Sensys Gatso with an estimated total value of SEK 5 million over a period of 5 years' time. After the period we have been awarded with three contract extensions for a total value of SEK 18 million over contract periods varying between one and three years.

In November 2017 we won contract in Oklahoma regarding a program to enforce on uninsured vehicles. This first nationwide enforcement program has gone through a slow start-up. As with all new programs like these, alignment of the various stakeholders involved has been challenging and has caused delays in the implementation. We still expect the program to start in 2018.

The segment has incurred a negative EBITDA of SEK -0.8 million (0.9) in the first quarter mainly due to lower revenues as a result of the Iowa court ruling.



SEK thousands	Jan - Mar 2018			Jan - Mar 2017		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	62,210	10,642	72,852	58,780	12,837	71,617
Inter-segment transactions	-1,171	0	-1,171	-872	0	-872
<b>Total Net Sales</b>	<b>61,039</b>	<b>10,642</b>	<b>71,681</b>	<b>57,908</b>	<b>12,837</b>	<b>70,745</b>
<b>EBITDA</b>	<b>-5,140</b>	<b>-826</b>	<b>-5,966</b>	<b>-8,501</b>	<b>889</b>	<b>-7,612</b>
Depreciation and amortization	-3,480	-5,428	-8,908	-2,136	-7,544	-9,680
<b>Operating Profit</b>	<b>-8,620</b>	<b>-6,254</b>	<b>-14,874</b>	<b>-10,637</b>	<b>-6,655</b>	<b>-17,292</b>
Net financial items			-3,182			-1,448
<b>Profit before tax</b>			<b>-18,056</b>			<b>-18,740</b>
Tax			4,982			2,374
<b>Profit for the period</b>			<b>-13,074</b>			<b>-16,366</b>

SEK thousands	Jan - Dec 2017		
	System Sales	Managed Service	Total
Total Net sales per business segment	242,082	55,709	297,791
Inter-segment transactions	-4,340	-357	-4,697
<b>Total Net Sales</b>	<b>237,742</b>	<b>55,352</b>	<b>293,094</b>
<b>EBITDA</b>	<b>-25,746</b>	<b>9,883</b>	<b>-15,863</b>
Depreciation and amortization	-9,327	-29,574	-38,901
<b>Operating Profit</b>	<b>-35,073</b>	<b>-19,691</b>	<b>-54,764</b>
Net financial items			-10,552
<b>Profit before tax</b>			<b>-65,316</b>
Tax			3,470
<b>Profit for the period</b>			<b>-61,846</b>

## Cash flow

### *Cash and available cash*

Cash and cash equivalents at the end of the period totalled SEK 66.5 million (21.0). At the end of the period free available cash amounted SEK 121.8 (78.3) million taking into account the total amount of available credit facilities.

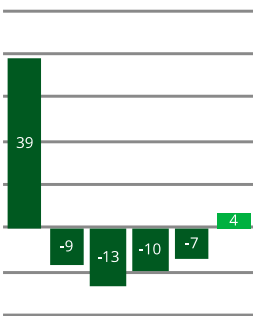
The group's credit facility agreements are subject to covenant clauses, whereby the group is required to meet certain key financial ratios. Sensys Gatso has agreed to new covenant ratios with both the SEB and Rabobank for 2018 and onward.

### *Cash flow from operating activities*

During the quarter Sensys Gatso has had a positive cash flow from operating activities of SEK 3.5 million (-8.5) in 2018. The positive cash flow in the quarter is mainly due to receipt on trade receivables compared to the closing balance of 2017.

### *Cash flow from investing activities*

The investments in fixed assets amounted to SEK 4.5 million (2.0) in the first quarter.



## OTHER INFORMATION

### Significant events during the first quarter 2018

- Sensys Gatso has received an award from Ohio to provide an automated speed enforcement program. The 5-year contract has expected sales of USD 125 thousand annually, corresponding to SEK 5 million over this contract period.
- Sensys Gatso has decided to fully provision on an outstanding receivable to the amount of SEK 10 million regarding project deliveries in the Middle East from 2016.
- Sensys Gatso has received an order for in-vehicle based traffic safety systems worth SEK 10 million from its partner KTC International Co. in Qatar.
- Sensys Gatso's has won procurement contract in Finland estimated to be worth SEK 30 million.
- Sensys Gatso has received an order for in-vehicle based traffic enforcement systems from a customer in the Middle East. The order concerns the delivery of systems to a potential total total value of EUR 10 million, corresponding to SEK 100 million. The order is under condition that both parties agree on final terms and conditions.

### Significant events after the end of the reporting period

- Sensys Gatso has signed several contract extensions for managed Services in the USA, estimated to be worth SEK 18 million over the contract periods.
- Sensys Gatso has received an order in Australia worth SEK 9 million.
- Iowa Supreme Court reverses 2017 Decision authorizing Iowa Department of Transportation to Regulate Cities' Automated Traffic Enforcement Cameras.
- Sensys Gatso Australia has been awarded a contract extension for service and maintenance worth SEK 16.2 million.

Apart from this, from the end of March 2018 until the release of this report, no significant events or information has emerged about conditions, either favourable or unfavourable, that justify any additional disclosures.



### Related party disclosures

For the period under review no material business transactions were performed with related parties.

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*This information is information that Sensys Gatso Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 on the 17<sup>th</sup> of May 2018.*

## GROUP FIGURES

### Consolidated statement of comprehensive income

SEK thousands	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Net sales	71,681	70,745	293,094
Cost of goods sold	-46,695	-45,768	-176,910
<b>Gross profit</b>	<b>24,986</b>	<b>24,977</b>	<b>116,184</b>
Selling expenses	-18,467	-20,775	-83,528
Administrative expenses	-9,682	-9,025	-40,266
Development expenses	-11,446	-12,523	-47,105
Other operating expenses/income	-265	54	-49
<b>Operating profit</b>	<b>-14,874</b>	<b>-17,292</b>	<b>-54,764</b>
Net financial items	-3,182	-1,448	-10,552
<b>Profit before tax</b>	<b>-18,056</b>	<b>-18,740</b>	<b>-65,316</b>
Tax	4,982	2,374	3,470
<b>Profit for the period</b>	<b>-13,074</b>	<b>-16,366</b>	<b>-61,846</b>
Profit is attributable to owners of Sensys Gatso Group AB	-12,199	-15,507	-58,067
Profit is attributable to non- controlling interest	-875	-859	-3,779
	<b>-13,074</b>	<b>-16,366</b>	<b>-61,846</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Translation differences	11,390	-59	-3,041
<b>Total other comprehensive income for the period, net after tax</b>	<b>11,390</b>	<b>-59</b>	<b>-3,041</b>
<b>Total comprehensive income for the period</b>	<b>-1,684</b>	<b>-16,425</b>	<b>-64,887</b>
Number of shares (thousands)	844,914	657,155	844,914
Earnings per share (SEK)	-0.02	-0.02	-0.07

## Consolidated balance sheet

SEK thousands	31 Mar 2018	31 Mar 2017	31 Dec 2017
<b>Assets</b>			
Goodwill	248,076	238,266	239,166
Customer contracts and relations	32,628	49,000	35,459
Brand	16,156	17,898	16,191
Intangible non-current assets	38,236	42,909	38,879
Property, plant and equipment	9,271	8,496	7,245
Fixed assets in operations	27,888	31,292	27,856
Deferred tax assets	40,695	51,289	38,439
Other non-current assets	371	366	361
Trade and other receivables	49,420	48,378	71,322
Inventories and work in progress	63,327	45,093	62,510
Other current assets	33,885	19,481	27,910
Cash and bank balances	66,546	20,993	58,931
<b>Total assets</b>	<b>626,499</b>	<b>573,461</b>	<b>624,269</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	418,388	370,198	420,072
Long-term liabilities	221	388	252
Long-term liabilities towards shareholders	58,734	79,998	55,908
Provision	8,727	9,285	7,725
Deferred tax liabilities	21,740	29,839	23,226
Short-term liabilities	18,934	17,507	10,200
Short-term liabilities towards shareholders	16,776	0	15,993
Trade and other payables	22,086	16,275	30,695
Other current interest-free liabilities	60,893	49,971	60,198
<b>Total shareholders' equity and liabilities</b>	<b>626,499</b>	<b>573,461</b>	<b>624,269</b>

## Consolidated statement of changes in equity

SEK thousands	Jan- Mar 2018	Jan - Mar 2017	Jan - Dec 2017
<b>Beginning of period</b>	<b>420,072</b>	<b>386,623</b>	<b>386,623</b>
New share issue, net		0	98,336
Net profit for the period	-12,199	-15,507	-58,067
Minority interest in subsidiaries	-875	-859	-3,779
Other comprehensive income	11,390	-59	-3,041
Total comprehensive income for the period	<b>-1,684</b>	<b>-16,425</b>	<b>-64,887</b>
<b>End of period</b>	<b>418,388</b>	<b>370,198</b>	<b>420,072</b>

## Cash flow statement

SEK thousands	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
<b>Operating profit</b>	-14,874	-17,292	-54,764
Items with no effect on cash flow	7,620	9,497	40,425
Financial items	-2,789	-545	-106
Tax paid	-419	-373	766
<b>Funds contributing from operating activities</b>	<b>-10,462</b>	<b>-8,713</b>	<b>-13,679</b>
Change in working capital	13,989	190	-25,571
<b>Cash flow from operating activities</b>	<b>3,527</b>	<b>-8,523</b>	<b>-39,250</b>
Cash flow from investing activities	-4,507	-1,956	-13,003
	<b>-980</b>	<b>-10,479</b>	<b>-52,253</b>
<b>Financing activities</b>			
New share issue	0	0	87,199
New loan	0	0	0
Repayment of loan	-35	-6,288	-18,896
Repayment/usage of credit facilities	8,734	4,856	10,049
Repayment of loan to shareholders	0	0	
<b>Change in cash and bank balances</b>	<b>7,719</b>	<b>-11,911</b>	<b>26,099</b>
Liquid funds at the beginning of the period	58,931	31,643	31,643
Translation differences in liquid funds	-104	1,261	1,189
<b>Closing cash and cash equivalents</b>	<b>66,546</b>	<b>20,993</b>	<b>58,931</b>

## PARENT COMPANY

### Statement of comprehensive income

SEK thousands	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Other sales	404	1,003	6,275
Cost of goods sold			
<b>Gross profit</b>	<b>404</b>	<b>1,003</b>	<b>6,275</b>
Selling expenses	0	0	0
Administrative expenses	-2,414	-3,587	-18,052
Development expenses	0	0	0
Other operating expenses/income	0	0	0
<b>Operating profit</b>	<b>-2,010</b>	<b>-2,584</b>	<b>-11,777</b>
Net financial items	-2,721	-97	-2,645
<b>Profit before tax</b>	<b>-4,731</b>	<b>-2,681</b>	<b>-14,422</b>
Tax			-2,984
<b>Profit for the period/Comprehensive income for the period</b>	<b>-4,731</b>	<b>-2,681</b>	<b>-17,406</b>

### Balance sheet

SEK thousands	31 Mar 2018	31 Mar 2017	31 Dec 2017
Intangible non-current assets	70		
Shares in subsidiaries	413,952	413,952	413,952
Deferred tax assets	21,104	24,088	21,104
Receivables from Group	31,664	1,119	30,000
Other current assets	607	812	306
Cash and bank balances	33,272	1,534	37,404
<b>Total assets</b>	<b>500,669</b>	<b>441,505</b>	<b>502,766</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	440,312	361,432	445,043
Long-term liabilities	0	0	0
Long-term liabilities towards shareholders	38,148	60,905	36,209
Short-term liabilities	0	12,500	0
Short-term liabilities towards shareholder	16,776	0	15,993
Trade and other payables	553	195	0
Trade and other payables from Group	722	3,044	450
Other current interest-free liabilities	4,158	3,429	5,071
<b>Total shareholders' equity and liabilities</b>	<b>500,669</b>	<b>441,505</b>	<b>502,766</b>

## Change in shareholders' equity

SEK thousands	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
<b>Beginning of period</b>	<b>445,043</b>	<b>364,113</b>	<b>364,113</b>
New share issue, net	0	0	98,336
Profit for the period/Comprehensive income for the period	-4,731	-2,681	-17,406
<b>End of period</b>	<b>440,312</b>	<b>361,432</b>	<b>445,043</b>

## QUARTERLY DATA

### Consolidated statement of income, quarterly data

	2018		2017		2016	
	Q1	Q4	Q3	Q2	Q1	Q4
Net sales	71,681	83,275	70,885	68,189	70,745	103,976
Cost of goods sold	-46,695	-46,881	-47,964	-36,297	-45,768	-61,022
<b>Gross profit</b>	<b>24,986</b>	<b>36,394</b>	<b>22,921</b>	<b>31,892</b>	<b>24,977</b>	<b>42,954</b>
Costs	-39,860	-41,093	-41,114	-46,471	-42,269	-47,573
<b>Operating profit</b>	<b>-14,874</b>	<b>-4,699</b>	<b>-18,193</b>	<b>-14,579</b>	<b>-17,292</b>	<b>-4,619</b>
Net financial items	-3,182	-4,350	-810	-3,944	-1,448	-196
<b>Res Profit before tax</b>	<b>-18,056</b>	<b>-9,049</b>	<b>-19,003</b>	<b>-18,523</b>	<b>-18,740</b>	<b>-4,815</b>
Tax	4,982	-3,547	2,021	2,622	2,374	4,576
<b>Profit for the period</b>	<b>-13,074</b>	<b>-12,596</b>	<b>-16,982</b>	<b>-15,901</b>	<b>-16,366</b>	<b>-239</b>

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### Key indicators and other information, quarterly data

	2018		2017		2016	
	Q1	Q4	Q3	Q2	Q1	Q4
Operating margin (%) <sup>1)</sup>	Neg	Neg	Neg	Neg	Neg	Neg
Gross margin (%) <sup>2)</sup>	34.86	43.70	32.34	46.77	35.31	41.31
Profit margin (%) <sup>3)</sup>	Neg	Neg	Neg	Neg	Neg	Neg
Equity per share (SEK) <sup>4)5)</sup>	0.50	0.50	0.49	0.53	0.56	0.59
Cash flow per share (SEK) <sup>6)</sup>	0.00	-0.01	-0.02	-0.02	-0.01	0.06
Number of employees <sup>7)</sup>	170	169	167	166	175	169
No. Of outstanding shares (thousands)	844,914	844,914	657,155	657,155	657,155	657,155
Equity/assets ratio (%)	66.78	67.29	58.69	62.11	64.56	63.46
Order intake (SEK thousands)	52,798	156,322	59,423	64,603	68,570	66,564

1) Operating income relative to sales

2) Gross margin relative sales

3) Profit after taxation relative sales

4) Refers to profit and shareholder's equity before and after dilution

5) Sensys Gatso has a long-term incentive program for the CEO, that involves a dilution effect

6) Operating cash flow relative number of shares

7) Total number of employees at the end of the period

## NOTES

### General

#### *Nature of operations*

Sensys Gatso Group develops markets, sells and operates world-leading system solutions and products to improve traffic safety. Our largest product category includes automatic speed and red-light monitoring systems designed to prevent traffic accidents and thereby saving lives and social resources. All products are based on our unique, high precision, target-tracking radars offering high legal certainty. The market for traffic safety systems is a global niche market with healthy underlying growth.

#### *Items affecting comparability*

Sensys Gatso Group AB has as of January 1st 2017 transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB, why the business of the parent company now consists of owning and managing participations in subsidiaries, as well as managing some key tasks for the Group. Part of senior management is also represented here.

On July 31<sup>st</sup> 2015 Sensys Traffic AB acquired Gatso Beheer BV. As of that date the financial numbers of Gatso Beheer BV are consolidated.

#### *EBITDA (Earnings before interest, taxes, depreciation and amortization)*

The Intangible fixed assets, relating to the Purchase Price Allocation on the acquisition of Gatso Beheer BV, generates considerable amounts of amortisation compared to previous years. Due to this, we believe that, in order to assist in understanding the operational business and growth, it is useful to consider EBITDA when comparing with previous years and other companies.

#### *Volatility*

The Group's revenue is affected by the volatility of the System Sales business. Due to the variance in bigger and smaller contracts and the time at which opportunities rise, revenue can be affected significantly during a quarter. To assist in understanding the operational business and to get a better view of the Group's performance, we provide quarterly data over six quarters.

#### *Risks and uncertainty*

Significant risks and uncertainties faced by the group primarily consist of commercial risks associated with customers and suppliers, and financial risks in its international business due to changes in exchange- and interest rates, as well as liquidity, financing and credit risks. Currency risks also arise in the translation of foreign net assets and earnings. Sensys Gatso Group's overall goal is as far as possible to avoid taking financial risks that may arise through changes in foreign currency rates, interest levels and market prices, as well as liquidity, financing and credit risks.

For more information about the group's risks, please refer to note 25 of the 2017 Annual Report. There are not considered to be any significant risks in addition to these.

#### *Accounting policies*

Sensys Gatso Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Accounts Act.

The Parent Company's interim report was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 – Accounting for Legal Entities.

The accounting policies adopted are consistent with those of the previous financial year as presented in the annual report for 2017.



### **New standards, amendments and interpretations applicable from January 1, 2018**

IFRS 15 “Revenue from contracts with customers” introduces new requirements for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations.

The new standard provides more detailed guidance in many areas not previously covered by the applicable IFRS, including recognition procedures for contracts with one or more parts, variable pricing, customers’ right of return, etc. The standard has been adopted by the EU. The standard will be applied from the 2018 financial year.

In 2017, workshops were held and an investigation conducted to identify potential differences between the existing accounting policies and IFRS 15.

Based on the findings, follow-ups and analyses were conducted based on the five-step model in IFRS 15.

Following this analysis, the assessment is that no material differences exist between the currently applicable accounting policies and guidance pertaining to identification of the performance obligations of the contract and allocation of the transaction price in IFRS 15. As with the existing policies, sales of products will be recognised when the transfer of risk under the contract has been effected which, according to the analysis performed, also meets the criteria for the transfer of control under IFRS 15.

Accordingly, the final assessment is that the introduction of IFRS 15 will have no material effect on the Group’s financial position. The Group has elected to apply the modified transitional method for the application of IFRS 15 from 1 January 2018. This will only impact the disclosure requirements that have to be met.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there is no significant change to classification and measurement. Hedge accounting rules are modified. The standard is effective for annual periods beginning on or after January 1, 2018, but comparative periods will not be restated. IFRS 9 will not have a significant impact on the financial reports in the Group.

### **New standards, amendments and interpretations not yet adopted**

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right of use assets and corresponding lease liabilities. Compared with the existing accounting for operating leases, it will also impact the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. A key aspect being considered in Sensys Gatso’s review of the new standard is whether to apply any transitional options such as the modified retrospective approach, which would mean that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information.

For more information about the accounting policies applied, please refer to Sensys Gatso’s website.

For definitions of key indicators, please refer to the annual report issued for 2017, which is available on the Sensys Gatso website [www.sensysgatso.com](http://www.sensysgatso.com)

## FINANCIAL INFORMATION

### Invitation to a presentation for press and analysts

On 17 May at 09:30 CEO Ivo Mönnink and CFO Simon Mulder will present the interim report of January-March 2018 and answer questions in an audiocast. The presentation can be followed online via the link on Sensys' website: [www.sensysgatso.com](http://www.sensysgatso.com) or <http://media.fronto.com/cloud/sensys/180517>

It is also possible to listen to the presentation and ask questions by phone; you can register via the two following options:

#### Pre-registration via web link

To take part in the telephone conference, we would ask you to pre-register in good time ahead of the event via the following web link:

<http://emea.directeventreg.com/registration/2390039>

Open the link and follow the instructions. When registration has been completed, a confirmation email will be sent to the email address specified during registration. This email will contain phone number and a code (Direct Event Passcode). Select the appropriate number to call.

To take part in the conference, when prompted, enter the code followed by "#".

#### Directly by phone:

As an alternative to online registration to take part in the event via the telephone conference function, the following phone numbers may be called:

Sweden: +46 (0)8 566 194 25

USA: +1 8 669 049 624

UK: +44 (0) 844 571 89 31

You will be prompted to enter an event code; ignore this, and wait instead (1–2 min) until the operator speaks, and then state your: Conference ID: [2390039](#) or "Sensys" to register.

Please call ten minutes before the time specified.

### Financial calendar

#### *Future reporting dates*

Annual General Meeting 2018	17 May 2018
Half year Report January – June 2018	30 August 2018
Interim Report July – September 2018	22 Nov 2018
Year-End Report January – December 2018	21 Feb 2019

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