

Sensys Gatso Group AB

Year-End Report

October - December 2017



October - December 2017

- Net sales MSEK 83.3 (104.0)
- Order intake MSEK 156.3 (66.6)
- Operating profit MSEK -4.7 (-4.6)
- EBITDA MSEK 5.4 (5.8)
- The profit after tax MSEK -12.6 (-0.2)
- Total Comprehensive income MSEK -3.2 (3.7)
- Earnings per share, before and after dilution, SEK -0.01 (0.00)
- Cash flow from operating activities amounted to MSEK -7.3 (38.9)

January - December 2017

- Net sales MSEK 293.1 (436.6)
- Order intake MSEK 348.9 (199.9)
- Operating profit MSEK -54.8 (-23.2)
- EBITDA MSEK -15.9 (25.3)
- The profit after tax MSEK -61.8 (-24.4)
- Total Comprehensive income -64.9 MSEK (-0.7)
- Earnings per share, before and after dilution, SEK -0.09 (-0.04)
- Cash flow from operating activities amounted to MSEK -39.3 (88.4)

Items affecting comparability

The effects of the one-off costs concerning the transformation program and a release of a contingent liability under Other operating income has effected the comparability of our interim financial statements. The adjusted financial figures are as follows:

October - December 2017

- Adj. EBITDA MSEK 5.4 (5.8)

January - December 2017

- Adj. EBITDA MSEK -15.9 (29.4)

COMMENTS FROM THE CEO

Recovering Sales

Sensys Gatso has seen improving sales in the fourth quarter. The sales in the fourth quarter amounted to SEK 83.3 million, which is an improvement of 17.5 percent compared to last quarter.

The improvement of sales is mainly due to increased sales activities in our segment of System Sales, which has shown an improvement of 22.0 percent compared to the third quarter. These sales mainly consist of recurring service and maintenance with multiple repeat orders from existing customers.

After a decline in sales in the third quarter due to the impact of the Iowa court ruling, our Managed Services activities have been stable on approximately SEK 12 million in the fourth quarter. During the year we managed to expand our customer base in the US by rolling out new programs, which will drive our recurring Managed Services sales going forward.

Strong order intake growth

The order intake was very strong with SEK 156 million in the quarter. Compared to the previous quarter the order intake increased with 163 percent. This growth is a result of our sales and development efforts in combination with easing market situations. Almost half of this order intake is related to multi-year Managed Services contracts, strengthening our long-term recurring revenue base. We expect to deliver approximately SEK 100 million of the order intake in 2018, starting as of the second quarter.

Improved EBITDA performance in the quarter

The EBITDA performance in the quarter amounted to SEK 5.4 million, which is an improvement of SEK 14.3 million compared to the previous quarter. This is mainly a result of an increased sales approximately 22 percent with a stable cost base in combination with excellent customer service delivery.

Available cash

The available cash at the end of the fourth quarter was SEK 121.3 million, consisting of SEK 58.9 million in cash and SEK 62.4 million available credit facilities. With this strong cash situation, we are in the position to execute on our strategic growth opportunities.

Outlook

We are in the process of improving the recurring sales part of our business, both in System Sales and Managed Services. However, we remain dependent to a large extent on our one-off volatile project business. Short-term we will focus on improving the efficiencies in this part of our business.

Longer term we expect improving market conditions for traffic enforcement solutions due to global economic recovery. We will continue to focus on our strategy to grow our managed services activities and deliver innovative software and hardware solutions across the world.

Ivo Mönnink
CEO, Sensys Gatso Group

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FINANCIAL SUMMARY

Key indicators (unadjusted)

	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
SEK thousands				
Net sales	83,275	103,976	293,094	436,607
Order intake	156,322	66,564	348,918	199,858
Operating profit	-4,699	-4,619	-54,764	-23,241
Operating margin (%)	Neg	Neg	Neg	Neg
Gross margin (%)	43.7	41.3	39.6	33.6
Profit for the period	-12,596	-239	-61,846	-24,384
Earnings per share (SEK)	-0.01	0.00	-0.09	-0.04
Cash flow from operations	-7,302	38,882	-39,250	88,418

EBITDA and Adj. EBITDA

	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
SEK thousands				
Operating profit	-4,699	-4,619	-54,764	-23,241
Depreciation tangible and intangible fixed assets	4,723	4,775	17,175	17,461
Amortization of acquired intangible assets ¹	5,368	5,641	21,725	31,127
EBITDA	5,392	5,797	-15,864	25,347

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

Items affecting comparability

The effects of the costs concerning the transformation program and a release of a contingent liability under Other operating income has affected the comparability of our interim financial statements.

	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
SEK thousands				
EBITDA	5,392	5,797	-15,864	25,347
Adjustments for:				
Effects transformation program	0	0	0	16,025
Contingent liability release	0	0	0	-11,926
Adj. EBITDA ¹⁾	5,392	5,797	-15,864	29,446

1) Definition on Adj. EBITDA is disclosed on page 19.

Financial results Group

October – December 2017

Net sales in the fourth quarter, amounted to SEK 83.3 million (104.0) and consisted primarily of deliveries and services to customers in the USA, Australia and our home markets Sweden and The Netherlands. The segment System Sales contributed SEK 72.3 (85.9) million and Managed Services contributed SEK 11.8 (19.2) million to the net sales of the fourth quarter including inter-segment transactions.

The gross margin for the quarter was 43.7 percent (41.3).

Order intake during the fourth quarter totalled SEK 156.3 million (66.6) and mainly relates to orders received from our customers in Sweden and USA.

The operating expenses totalled SEK 41.1 million (47.6) including amortisation of intangible fixed assets recognized as part of the acquisition to the amount of SEK 5.4 million (5.6).

The operating profit for the fourth quarter totalled SEK -4.7 million (-4.6) and the profit after taxation totalled SEK -12.6 million (-0.2).

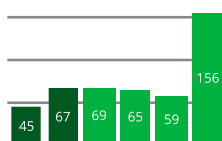
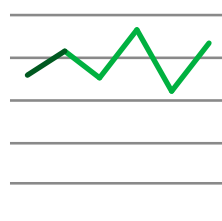
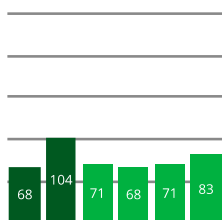
Our tax position has been impacted by the US Tax reform in the fourth quarter. This has resulted in a lower corporate tax rate of 21 percent compared to 35 percent. As a result of this we have revaluated our Deferred Tax Assets and Liabilities relating to our US Operation. The overall impact amounted to a loss of SEK 2.2 million.

January – December 2017

Net sales for the year amounted to SEK 293.1 million compared to SEK 436.6 million for the corresponding period in 2016. The segment System Sales contributed SEK 242.1 (372.3) million, and Managed Services contributed SEK 55.7 (66.6) million to the net sales of the full year including inter-segment transactions.

The gross margin for the period was 39.6 percent (33.6). The improvement on margins is due to the sales mix of System Sales and Managed Services.

The operating expenses amounted to SEK 170.9 million for the period January to December 2017 compared to SEK 170.1 million for the corresponding period in 2016. The company's total depreciation and amortization for the period from January to December 2017 amounted to SEK 38.9 million compared to SEK 48.6 million for the corresponding period 2016.



Investments

During the period January to December 2017 the investments in fixed assets amounted to SEK 13.0 million (18.6) of which SEK 8.6 (11.5) million relates to tangible fixed assets and SEK 4.4 (7.1) million relates to intangible fixed assets.

Financial position

The Group's equity at the end of the period totalled SEK 420.1 million (386.6), producing an equity/assets ratio of 67.3 percent (63.5). Net interest-bearing debt amounted to SEK 23.4 million (67.5).

KSEK	31 Dec 2017	31 Dec 2016
Short-term liabilities	26,193	18,901
Long-term liabilities	56,160	80,273
Cash and bank	-58,931	-31,643
Net debt	23,422	67,531

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 year was 673,101,697 (657,155,077).

Personnel

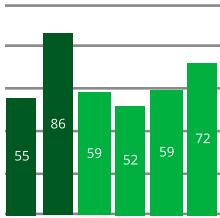
The average number of full time employees was 154 people (151). The number of employees at the end of the period was 167, whereof a part being part-time employees, to be compared with 169 at the fourth quarter of 2016.

Dividend

The Board of Directors proposes to the AGM that no dividend will be paid for 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 72.3 million (85.9) in the fourth quarter of 2017. The system sales year to date amounted to SEK 242.1 million compared to SEK 372.3 million in the same period of 2016.

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 2017 relate to repeat orders and some bigger deals from our existing customers.

The order intake for the segment Systems Sales amounted to SEK 79.3 million (66.6) in the quarter mainly relating to orders from our customer in Sweden.

The segment has incurred a positive EBITDA of SEK 5.0 million (3.1) in the fourth quarter and SEK -25.7 million (13.3) for the year.

Analysing the past six quarters we can see the EBITDA improving from a low in the second quarter SEK -13.1 million to 5.0 million in the fourth quarter. The EBITDA results of the third quarter 2016 have been positively affected by the release of the contingent liability and the effects from the transformation program. The total impact of these two affects, that have been fully attributed to System Sales, amounted to SEK 21.4. The adjusted EBITDA for the segment system sales of that period amounted to SEK -13.5 million.

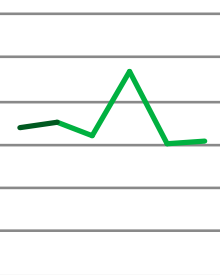
In the fourth quarter the EBITDA of the segment was impacted by a provision of SEK 5.0 million on deliveries in 2016 relating to the Middle East.

Managed Service

Managed Services sales amounted to SEK 11.8 million (19.2) in the fourth quarter of 2017. The sales for the full year amounted to SEK 55.7 million compared to SEK 66.6 million in the same period of 2016. In 2017 Sensys Gatso has suspended interstate speed enforcement services in Iowa, following the decision of the Iowa District Court in Polk County. This has negatively impacted our sales in this segment from the third quarter onwards.

During the quarter two new contracts have been awarded to Sensys Gatso with an estimated total value of SEK 77 million over a period of 10 years' time. One contract is awarded for one year to deliver a first-of-its-kind state-wide program for Uninsured Vehicle Enforcement, with the possibility of extension. The second contract is a 10-year managed service contract for speed enforcement.

The segment has incurred a positive EBITDA of SEK 0.4 million (2.7) in the fourth quarter and SEK 9.9 million (12.0) for the year.



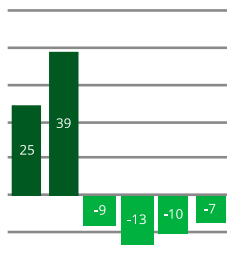
SEK thousands	Oct - Dec 2017			Oct - Dec 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	72,284	11,780	84,064	85,914	19,194	105,108
Inter-segment transactions	-432	-357	-789	-986	-146	-1,132
Total Net Sales	71,852	11,423	83,275	84,928	19,048	103,976
EBITDA	4,962	430	5,392	3,115	2,682	5,797
Depreciation and amortization	-2,577	-7,514	-10,091	-2,487	-7,929	-10,416
Operating Profit	2,385	-7,084	-4,699	628	-5,247	-4,619
Net financial items			-4,350			-196
Profit before tax			-9,049			-4,815
Tax			-3,547			4,576
Profit for the period			-12,596			-239

SEK thousands	Jan - Dec 2017			Jan - Dec 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	242,082	55,709	297,791	372,265	66,569	438,834
Inter-segment transactions	-4,340	-357	-4,697	-1,938	-289	-2,227
Total Net Sales	237,742	55,352	293,094	370,327	66,280	436,607
EBITDA	-25,746	9,883	-15,863	13,329	12,018	25,347
Depreciation and amortization	-9,327	-29,574	-38,901	-18,841	-29,747	-48,588
Operating Profit	-35,073	-19,691	-54,764	-5,512	-17,729	-23,241
Net financial items			-10,552			-6,724
Profit before tax			-65,316			-29,965
Tax			3,470			5,581
Profit for the period			-61,846			-24,384

Cash flow

Cash and available cash

Cash and cash equivalents at the end of the period totalled SEK 58.9 million (31.6). At the end of the period free available cash amounted SEK 121.3 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 did not fulfil the EBITDA ratio as required in the contract for the credit facilities but has received a waiver from the bank with regards to the fourth quarter. The group has processes in place to monitor the bank covenants and the cash flow and is in control of cash requirements. Furthermore, we are in discussion with our banks on the terms of the bank covenants and the credit facilities to better fit our business model going forward.

Cash flow from operating activities

Cash flow from operating activities totalled SEK -7.3 million during the fourth quarter (38.9) in 2017. The negative cash flow in the fourth quarter is mainly caused by higher receivables to the amount of SEK 21.6 million.

Cash flow from investing activities

The investments in fixed assets amounted to SEK 5.6 million (2.9) in the fourth quarter. Investments in the fourth quarter mainly relate to fixed assets in operations to the amount of SEK 3.1 million.

Cash flow from financing activities

The proceeds from the new share issue amounted SEK 103.3 million before issue costs of SEK 4.9 million. Of the proceeds of the new share issue SEK 11.2 million was off-set against the vendor loan which is maturing on July 31, 2018.

In the third quarter the company received a bridge loan from one of our shareholders to the amount of SEK 7.1 million. This bridge loan was a prepayment on the new share issue and is part of the proceeds. The total net proceeds from the new share issue amounted to SEK 87.2 million.

KSEK	2017
Proceeds new share issue	103,301
Issue costs	-4,931
Off-set vendors loans	-11,171
Net proceeds	87,199

Of the proceeds SEK 17.6 million has been used in the fourth quarter to repay credit facilities, lowering our net interest-bearing debt at the end of the year to SEK 23.4 million.

OTHER INFORMATION

Significant events during the fourth quarter 2017

- Sensys Gatso's rights issue fully subscribed. Through the rights issue, Sensys Gatso has received proceeds amounting to approximately SEK 103.3 million before issue costs.
- Sensys Gatso has received orders worth 58 MSEK from the Swedish Transport Administration.
- Sensys Gatso has been awarded a one-year managed service contract based on performance, estimated to be worth USD 2 million, corresponding to SEK 17 million.
- Sensys Gatso has been awarded a 10-year contract for automated speed enforcement, estimated to be worth USD 700 thousand annually, corresponding to SEK 60 million over this contract period.

Significant events during the third quarter 2017

- Extraordinarily General meeting was held on September 25, where it was resolved to approve the Board's resolution on a right issue and long-term incentive program for the CEO.
- Sensys Gatso has appointed a new CEO. The new CEO, Ivo Mönnink, started on October 1st.
- Sensys Gatso received contract extension in Abington, Pennsylvania.
- Sensys Gatso has received an order worth 5.8 MSEK from its partners in Australia.
- Sensys Gatso has received an order worth 5 MSEK from its partner in Qatar.

Significant events during the second quarter 2017

- Sensys Gatso has received an order from the Swedish Transport Administration worth 17 MSEK.
- Sensys Gatso has suspended interstate speed enforcement services in Iowa as of May 18, 2017.
- Sensys Gatso has received an order worth 4.3 MSEK from its partner in Latvia.
- Sensys Gatso and Ricardo Rail have signed a strategic agreement for sales and manufacturing of the APMS product (Automatic Pantograph Monitoring System) to the global rail market.

Significant events during the first quarter 2017

- The Group has received orders worth SEK 18.6 million, corresponding to EUR 1.25 million, from Belgium.
- The Group has signed contract in Southern Europe amounting to SEK 25.6 million
- Sensys Gatso Group AB has transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB.

Significant events after the end of the reporting period

- Sensys Gatso has received an award for a 5-year contract in Ohio to provide automated speed enforcement, estimated to be worth USD 125 thousand annually, corresponding to SEK 5 million over this contract period.
- Sensys Gatso has received an order for in-vehicle based traffic safety systems worth 10 MSEK from its partner in Qatar.
- Sensys Gatso has decided to fully provision on an outstanding receivable to the amount of EUR 1 million regarding project deliveries in the Middle East from 2016.

Apart from this, from the end of December 2017 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

During the period both the bridge loan to the amount of 7.1 million and a part of the vendor loan to the amount of 11.1 million from shareholders have been converted into shares as part of the new share issue.

For further information please contact:
Ivo Mönnink, CEO
e-mail: i.monnik@sensysgatso.com

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 22nd of February 2018.

GROUP FIGURES

Consolidated statement of comprehensive income

SEK thousands	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Net sales	83,275	103,976	293,094	436,607
Cost of goods sold	-46,881	-61,022	-176,910	-289,722
Gross profit	36,394	42,954	116,184	146,885
Selling expenses	-21,249	-23,004	-83,528	-86,462
Administrative expenses	-8,514	-12,386	-40,266	-43,801
Development expenses	-11,873	-11,691	-47,105	-50,874
Other operating expenses/income	543	-492	-49	11,011
Operating profit	-4,699	-4,619	-54,764	-23,241
Net financial items	-4,350	-196	-10,552	-6,724
Profit before tax	-9,049	-4,815	-65,316	-29,965
Tax	-3,547	4,576	3,470	5,581
Profit for the period	-12,596	-239	-61,846	-24,384
Profit is attributable to owners of Sensys Gatso Group AB	-10,429	452	-58,067	-21,971
Profit is attributable to non- controlling interest	-2,167	-691	-3,779	-2,413
	-12,596	-239	-61,846	-24,384
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Translation differences	9,435	3,921	-3,041	23,655
Total other comprehensive income for the period, net after tax	9,435	3,921	-3,041	23,655
Total comprehensive income for the period	-3,161	3,682	-64,887	-729
Number of shares (thousands)	844,914	657,155	844,914	657,155
Earnings per share (SEK)	-0.01	0.00	-0.07	-0.04

Consolidated balance sheet

SEK thousands	31 Dec 2017	31 Dec 2016
Assets		
Goodwill	239,166	239,302
Customer contracts and relations	35,459	53,248
Brand	16,191	18,423
Intangible non-current assets	38,879	43,578
Property, plant and equipment	7,245	8,847
Fixed assets in operations	27,856	34,117
Deferred tax assets	38,439	51,747
Other non-current assets	361	373
Trade and other receivables	71,322	62,821
Inventories	63,615	46,506
Other current assets	26,805	18,632
Cash and bank balances	58,931	31,643
Total assets	624,269	609,237
Shareholders' equity and liabilities		
Shareholders' equity	420,072	386,623
Long-term liabilities	252	434
Long-term liabilities towards shareholders	55,908	79,839
Provision	10,216	9,467
Deferred tax liabilities	23,226	32,058
Short-term liabilities	10,200	18,901
Short-term liabilities towards shareholders	15,993	0
Trade and other payables	30,695	21,077
Other current interest-free liabilities	57,707	60,838
Total shareholders' equity and liabilities	624,269	609,237

Consolidated statement of changes in equity

SEK thousands	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Beginning of period	324,897	382,941	386,623	387,352
New share issue, net	98,336	0	98,336	0
Net profit for the period	-10,429	452	-58,067	-21,971
Minority interest in subsidiaries	-2,167	-691	-3,779	-2,413
Other comprehensive income	9,435	3,921	-3,041	23,655
Total comprehensive income for the period	-3,161	3,682	-64,887	-729
End of period	420,072	386,623	420,072	386,623

Cash flow statement

SEK thousands	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Operating profit	-4,699	-4,619	-54,764	-23,241
Items with no effect on cash flow	12,708	5,357	40,425	28,971
Financial items	3,270	-91	-106	3,863
Tax paid	2,324	1,345	766	-7,861
Funds contributing from operating activities	13,603	1,992	-13,679	1,732
Change in working capital	-20,905	36,890	-25,571	86,686
Cash flow from operating activities	-7,302	38,882	-39,250	88,418
Cash flow from investing activities	-5,552	-2,873	-13,003	-18,612
	-12,854	36,009	-52,253	69,806
Financing activities				
New share issue	80,120	0	87,199	0
New loan	0	0	0	493
Repayment of loan	-33	-6,321	-18,896	-34,444
Repayment/usage of credit facilities	-17,552	-32,393	10,049	-42,743
Repayment of loan to shareholders	0	0	0	-32,242
Change in cash and bank balances	49,681	-2,705	26,099	-39,130
Liquid funds at the beginning of the period	10,330	36,791	31,643	76,189
Translation differences in liquid funds	-1,080	-2,443	1,189	-5,416
Closing cash and cash equivalents	58,931	31,643	58,931	31,643

PARENT COMPANY

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 mangaging participations in subsidiaries, as well as managing some key tasks for the Group. Part of senior management is also represented here.

Statement of comprehensive income

SEK thousands	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Net sales		41,350		108,972
Other sales	1,175	3,820	6,275	9,777
Cost of goods sold		-20,954		-69,376
Gross profit	1,175	24,216	6,275	49,373
Selling expenses	0	-4,412	0	-15,929
Administrative expenses	-1,887	-9,161	-18,052	-29,159
Development expenses	0	-3,634	0	-14,844
Other operating expenses/income	0	-392	0	-437
Operating profit	-712	6,617	-11,777	-10,996
Net financial items	-1,613	-1,437	-2,645	-6,211
Profit before tax	-2,325	5,180	-14,422	-17,207
Tax	0	-866	-2,984	-866
Profit for the period/Comprehensive income for the period	-2,325	4,314	-17,406	-18,073

*) Numbers prior to January 1st 2017 are before the operational business was transferred to fully owned subsidiary company Sensys Gatso Sweden AB.

Balance sheet

SEK thousands	31 Dec 2017	31 Dec 2016
Intangible non-current assets	0	0
Property, plant and equipment	0	2,961
Deferred tax assets	21,104	24,088
Shares in subsidiaries	413,952	383,952
Other non-current assets	0	209
Trade and other receivables	0	32,866
Receivables from Group	30,000	7,083
Inventories	0	14,022
Other current assets	306	3,886
Cash and bank balances	37,404	27,840
Total assets	502,766	496,907
Shareholders' equity and liabilities		
Shareholders' equity	445,043	364,113
Long-term liabilities	0	0
Long-term liabilities towards shareholders	36,209	60,705
Provision	0	4,314
Short-term liabilities	0	18,750
Short-term liabilities towards shareholder	15,993	0
Trade and other payables	0	12,915
Trade and other payables from Group	450	3,353
Other current interest-free liabilities	5,071	32,757
Total shareholders' equity and liabilities	502,766	496,907

*) Numbers prior to January 1st 2017 are before the operational business was transferred to the fully owned subsidiary company Sensys Gatso Sweden AB.

Change in shareholders' equity

SEK thousands	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Beginning of period	349,032	359,799	364,113	382,186
New share issue, net	98,336	0	98,336	0
Profit for the period/Comprehensive income for the period	-2,325	4,314	-17,406	-18,073
End of period	445,043	364,113	445,043	364,113

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

In 2016 Sensys Gatso started the announced transformation program resulting in a recorded cost of SEK 30 million in the first quarter of 2016. Due to the final outcome of negotiations with the workers' council and the unions the group has recorded a release of SEK 14.0 million during 2016 on the initial provision resulting in a total cost of the transformation program of SEK 16.0 million.

Also in 2016 the additional purchase price, recognized under short-term liabilities in the balance sheet, was finalized resulting in a payout of SEK 26.0 Million and a release of the liability to the profit and loss, under the other operating income of SEK 11.9 Million.

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 the 2016 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 2016.

New standards applicable from January 1, 2018

IFRS 15 “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, where the comparative year will be restated retrospectively.

As Sensys Gatso executes multiple service and maintenance contracts that have been awarded in the past, IFRS15 could have an effect on revenue recognition on these specific contracts going forwards and on opening equity of the company. We have made an IFRS15 impact analysis on material contracts that are still being executed. The IFRS 15 impact on these contracts are assessed to be non-significant both for revenue going forwards as for the 2018 opening equity.

IFRS 15 will not have a significant effect on revenue, operating income, net income nor balance sheet amounts. As Sensys Gatso has multiple contracts relating to delivery of goods and services, we have made an assessment on all our material contracts. In our assessment we have found that the total impact on opening equity amounts to SEK will be non-material.

IFRS 9 “Financial instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets as well as hedge accounting. IFRS 9 will replace the guidance in IAS 39 that relates to the classification and measurement of financial instruments. 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.

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

Consolidated statement of income, quarterly data

	2017				2016	
	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	83,275	70,885	68,189	70,745	103,976	68,447
Cost of goods sold	-46,881	-47,964	-36,297	-45,768	-61,022	-43,818
Gross profit	36,394	22,921	31,892	24,977	42,954	24,629
Operating expenses	-41,093	-41,114	-46,471	-42,269	-47,573	-25,998
Operating profit	-4,699	-18,193	-14,579	-17,292	-4,619	-1,369
Net financial items	-4,350	-810	-3,944	-1,448	-196	-1,789
Res Profit before tax	-9,049	-19,003	-18,523	-18,740	-4,815	-3,158
Tax	-3,547	2,021	2,622	2,374	4,576	-132
Profit for the period	-12,596	-16,982	-15,901	-16,366	-239	-3,290

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Key indicators and other information, quarterly data

	2017				2016	
	Q4	Q3	Q2	Q1	Q4	Q3
Operating margin (%) ¹⁾	Neg	Neg	Neg	Neg	Neg	Neg
Gross margin (%) ²⁾	43.70	32.34	46.77	35.31	41.31	35.98
Profit margin (%) ³⁾	Neg	Neg	Neg	Neg	Neg	Neg
Equity per share (SEK) ⁴⁾⁵⁾	0.50	0.49	0.53	0.56	0.59	0.58
Cash flow per share (SEK) ⁶⁾	-0.01	-0.02	-0.02	-0.01	0.06	0.04
Number of employees ⁷⁾	169	167	166	175	169	171
No. Of outstanding shares (thousands)	844,914	657,155	657,155	657,155	657,155	657,155
Equity/assets ratio (%)	67.29	58.69	62.11	64.56	63.46	60.04
Order intake (SEK thousands)	156,322	59,423	64,603	68,570	66,564	44,828

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

For definitions of key indicators, please refer to the annual report issued for 2016, which is available on the Sensys Gatso website www.sensysgatso.com

EBITDA and Adjusted EBITDA

(Earnings before interest, taxes, depreciation and amortization)

On July 31st 2015 a large acquisition was made, generating considerable amounts of amortization of intangible assets 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.

The adjusted EBITDA figures concern the EBITDA adjusted for the effects of the transformation program as a one of cost and the effects of the release of the contingent liability.

FINANCIAL INFORMATION

Invitation to a presentation for press and analysts

On 22 February at 09:30 CEO Ivo Mönnink and CFO Simon Mulder will present the report and answer questions in an audiocast. The presentation can be followed online via the link on Sensys' website: www.sensysgatso.com or <http://media.fronto.com/cloud/sensys/180222>

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/5764349>

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: [5764349](http://emea.directeventreg.com/registration/5764349) or "Sensys" to register.

Please call ten minutes before the time specified.

Financial calendar

Future reporting dates

Sensys Gatso Group AB

Office address Vasavägen 3c,
SE-554 54 Jönköping
Postal address Box 2174,
SE-550 02 Jönköping
Sweden

T +46 36 34 29 80

F +46 36 12 56 99

info@sensysgatso.com

www.sensysgatso.com

Registered No 556215-4459

VAT NO SE556215445901

Registered Office Jönköping

Interim Report January – March 2018	17 May 2018
Annual General Meeting 2017	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