

# Sensys Gatso Group AB

## Year-End Report

### October - December 2018



#### October – December 2018

- Net sales MSEK 124.4 (83.3)
- Order intake MSEK 143.9 (156.3)
- EBITDA MSEK 16.7 (5.4)
- Operating profit MSEK 7.3 (-4.7)
- Total Comprehensive income MSEK 8.8 (-3.2)
- Earnings per share, before and after dilution, SEK 0.01 (-0.01)
- Cash flow from operating activities amounted to MSEK 39.0 (-7.3)

#### January – December 2018

- Net sales MSEK 380.3 (293.1)
- Order intake MSEK 480.0 (348.9)
- EBITDA MSEK 37.6 (-15.9)
- Operating profit MSEK 0.6 (-54.8)
- Total Comprehensive income MSEK 16.1 (-64.9)
- Earnings per share, before and after dilution, SEK 0.00 (-0.09)
- Cash flow from operating activities amounted to MSEK 49.3 (-39.3)

## COMMENTS FROM THE CEO

### ***A year of focus***

The key word for 2018 has been “Focus”. By concentrating our efforts on sales activities in selected markets we managed to achieve a record order intake for the company. At the same time, we kept good control on our cost base by introducing P&L responsible entities.

Overall, our focus in 2018 on sales activities and operational efficiencies has resulted in a structural improvement of our profitability. For the full year 2018 the EBITDA grew by SEK 53.3 million to SEK 37.6 million (-15.9). The EBITDA in the fourth quarter grew by SEK 11.3 million to SEK 16.7 million (5.4).

### ***Investing for growth***

For Managed Services the focus during the year was on operational excellence of existing contracts, recommencing Iowa programs and starting up the Uninsured Vehicle Enforcement Diversion (UVED) Managed Services program in Oklahoma. Due to the start-up costs related to these programs we have seen a slight increase in cost in this segment. These costs relate to additional, but highly flexible processing staff and adapting our software programs PULS and Xilium. The new Managed Services programs will contribute to their full EBITDA potential as of 2019.

### ***Introduction of FLUX***

We operate in diverse global market conditions, with customer needs differing from market to market. In our industry we see mega-trends like sustainable cities, big data and Artificial Intelligence affecting our customer’s needs. To meet these needs, we launched our new hardware platform FLUX in December in Dubai. FLUX is being developed to replace our S and T series products over time, creating a single Sensys Gatso Group platform. FLUX seamlessly integrates with our software programs PULS and Xilium to provide a flexible and scalable one-stop traffic enforcement solution.

### ***Available cash and solid financial position***

Our available cash at the end of the quarter was SEK 153.2 million (121.3). During the quarter, we have seen a strong operating performance with efficient capital management. This resulted in a positive operating cash flow of SEK 39.0 million (-7.3) for the quarter and SEK 49.3 million (-39.3) for the full year 2018. The equity/assets ratio amounted to 72 percent (67) thanks to the profits in the third and fourth quarter of 2018 and conversion of a part of the vendor loan in to equity. Net interest-bearing debt at the end of the year amounted negative 17.7 million, due to lower debt and a higher cash position compared to last year. The higher cash position at the end of the year was partially a result of prepayments of customers.

#### **CONTENTS**

Comments from the CEO .....	2
Financial summary .....	4
Other information .....	11
Group figures .....	14
Parent company .....	17
Quarterly data .....	18
Notes .....	19
Financial information .....	21

### **Outlook**

The focus on sales activities resulted in strong order intake throughout the year. The high order intake of 2018 is expected to drive our top-line in 2019. As we increase our sales, we foresee an increase in our customer-facing employee costs. It remains our ambition to retain our gross margin levels.

Keeping up with ever changing customer needs requires continuous innovation. We launched our new hardware platform FLUX in December 2018. Together with our software solutions PULS and Xilium. FLUX now completes our complete offering of flexible and scalable traffic enforcement solutions. We will continue to develop FLUX in 2019, whilst initiating first sales activities based on the new platform. The major part of our System Sales in 2019 will be based on the T-Series platform.

Key components of the T-Series hardware are sourced from our strategic supplier Prodrive. Beginning of December, a fire struck at this supplier. The effect on our deliveries in 2018 has been minimal. Together with Prodrive we are working to manage deliveries to our customers going forward to a satisfactory level. We expect production to fully restart in April 2019. We also do not expect that the full year 2019 sales will be negatively affected.

With our strong global team, we will continue to focus on our strategy to grow our managed services activities and to deliver innovative software and hardware solutions across the world. With an improving top-line and tight cost control we aim for a gradual improvement of our profitability.

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

## FINANCIAL SUMMARY

### Key indicators

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
<b>SEK thousands</b>				
Net sales	124,423	83,275	380,349	293,094
Order intake	143,941	156,322	480,284	348,918
Gross margin (%)	40.9	43.7	42.5	39.6
Operating profit, EBIT	7,291	-4,699	589	-54,764
Operating margin, EBIT (%)	5.9	Neg	0	Neg
EBITDA	16,704	5,392	37,563	-15,864
Profit for the period	7,811	-12,596	-2,472	-61,846
Earnings per share (SEK)	0.01	-0.01	0.00	-0.07
Cash flow from operations	39,035	-7,302	49,307	-39,250

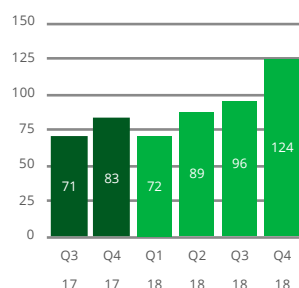
### EBITDA

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
<b>SEK thousands</b>				
Operating profit	7,291	-4,699	589	-54,764
Depreciation tangible and intangible fixed assets	3,663	4,723	14,562	17,175
Amortization of acquired intangible assets <sup>1</sup>	5,750	5,368	22,412	21,725
<b>EBITDA</b>	<b>16,704</b>	<b>5,392</b>	<b>37,563</b>	<b>-15,864</b>

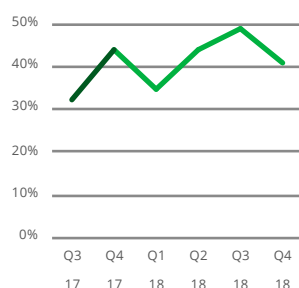
1) Amortisation of intangible fixed assets recognized as part of the acquisition of the Gatso Beheer BV.

## Financial results Group

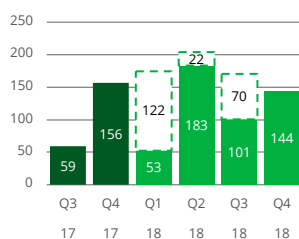
SALES (x Mil)



GROSS MARGIN (%)



ORDER INTAKE (x Mil)



### October – December 2018

Net sales in the fourth quarter, amounted to SEK 124.4 million (83.3) and consisted primarily of deliveries and services to customers in the Middle East, USA, Australia and various smaller orders from existing customers globally. The segment System Sales contributed SEK 107.6 million (72.3) and Managed Services contributed SEK 17.9 million (11.8) to the net sales of the fourth quarter including inter-segment transactions.

The gross margin for the quarter was 40.9 percent (43.7).

Order intake during the fourth quarter totalled SEK 143.9 million (156.3) and mainly relates to orders received from our customers in USA, Sweden, Croatia, and Australia amongst other smaller orders.

The operating expenses totalled SEK 43.6 million (41.1) including amortisation of intangible fixed assets recognized as part of the acquisition to the amount of SEK 5.8 million (5.4).

The operating profit for the fourth quarter totalled SEK 7.3 million (-4.7) and the profit after taxation totalled SEK 7.8 million (-12.6).

During the fourth quarter the investments in fixed assets amounted to SEK 8.5 million (5.6) and mainly relate to investments in Fixed Assets in Operations and development of FLUX.

### January – December 2018

Net sales for the year 2018 amounted to SEK 380.3 million compared to SEK 293.1 million for the corresponding period in 2017. The segment System Sales contributed SEK 316.7 million (242.1), and Managed Services contributed SEK 74.4 million (55.7) to the net sales including inter-segment transactions.

The gross margin for the period was 42.5 percent (39.6). The increase in margins is due to a relative higher sale in the Segment Managed Services and a higher contribution by our Australian Subsidiary.

The operating expenses amounted to SEK 160.9 million for the period January to December 2018 compared to SEK 170.9 million for the corresponding period in 2017. The company's total depreciation and amortization for the period from January to December 2018 amounted to SEK 37.0 million compared to SEK 38.9 million for the corresponding period 2017.

### Investments

During the period January to December 2018 the investments in fixed assets amounted to SEK 21.3 million (13.0) of which SEK 16.2 million (8.6) relates to tangible fixed assets and SEK 5.1 million (4.4) relates to intangible fixed assets. The investment in tangible fixed assets mainly relates to upgrading the Haarlem testing facilities and part of the offices and investments in fixed assets in operations.

**NET INTEREST-BEARING  
DEBT (x Mil)**



*Financial position*

The Group's equity at the end of the period totalled SEK 453.7 million (420.1), producing an equity/assets ratio of 71.8 percent (67.3). Net interest-bearing debt amounted to SEK -17.7 million (23.4). The net interest bearing debt has been affected by the new share issue in the fourth quarter of 2017 which resulted in a net cash inflow of SEK 87.2 million. In September the short-term part of the vendor loan was converted into 15,110,738 new shares. The conversion price amounted to SEK 1.1583 per share.

	31 Dec 2018	31 Dec 2017
<b>KSEK</b>		
Short-term liabilities	10,199	26,193
Long-term liabilities	48,692	56,160
Cash and bank	-76,607	-58,931
<b>Net debt</b>	<b>-17,716</b>	<b>23,422</b>

**SHARE PRICE**



The increase in net debt from SEK 23.4 million at the end of 2017 to negative SEK 17.7 million at the end of 2018 is partly due to prepayments from customers, lower accounts payables and long-term liabilities. The decrease in long-term liabilities is due to the conversion of the Vendor Loan to the amount of SEK 17.5 million.

*The Sensys Gatso share*

The number of shares at the end of the period was 860,024,407 (844,913,669). The average number of shares during the year was 848,691,354 (673,101,697).

The table below shows the five largest shareholders in the Company as per end of December 2018. The family office that founded Gatso, which was acquired by Sensys Traffic AB in 2015, is the company's largest shareholder with 19 percent (BNP). (Source Euroclear)

#	Shareholder	Number of shares	Proportion of share capital/ Votes%
1	BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	164,247,615	19.1
2	FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	37,184,708	4.3
3	WALL, PER	23,000,000	2.7
4	BERGSTRAND, INGER	21,004,714	2.4
5	NORDNET PENSIONS FÖRSÄKRING AB	14,953,103	1.7

#	Country	Proportion of share capital/ Votes%
1	Sweden	73.2
2	Netherlands	19.1
3	United States	2.6
4	Switzerland	1.0
5	Denmark	1.0
6	Other	3.1

#### *Personnel*

The average number of full-time employees was 169 people (154). The number of employees at the end of the year was 195 to be compared with 167 at the end of the financial year 2017. The increase in employees is mainly due to processing staff in the USA, relating to onboarding of new programs.

#### **Dividend**

The Board of Directors proposes to the AGM that no dividend will be paid for 2018.

## Business Segments

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

### System Sales

Systems sales amounted to SEK 107.6 million (72.3) in the fourth quarter of 2018. The system sales year to date amounted to SEK 316.7 million compared to SEK 242.1 million in the same period for 2017. Approximately 24% percent of the year-to-date order intake value was recurring revenues in the shape of service and maintenance contracts.

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 systems sales to the Middle East, Eastern Europe and repeat orders from our existing customers.

The order intake for the segment Systems Sales amounted to SEK 106.9 million (79.3) in the quarter. In the period January to December 2018 the order intake for the segment amounted to SEK 373.4 million, mainly relating to orders from our customers in The Netherlands, Middle East and Australia.

The segment has incurred an EBITDA of SEK 15.0 million (5.0) in the fourth quarter. Compared to the fourth quarter 2017 this is an improvement of EBITDA of SEK 10 million. The EBITDA for the year amounted to SEK 19.3 million compared to SEK -25.7 million to last year.

### Managed Services

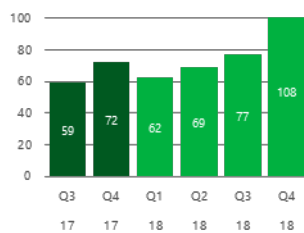
Managed Services sales amounted to SEK 17.9 million (11.8) in the fourth quarter of 2018. Managed Services sales for the period January to December 2018 amounted to SEK 74.4 million (55.7). The increase in sales is due to the onboarding of several new programs in 2018, intensified collection efforts and the reactivation of the Iowa speed programs.

During the quarter we have been awarded with two new contracts for a total value of SEK 37 million and with contract periods of 5 years.

The segment has incurred an EBITDA of SEK 1.7 million (0.4) in the fourth quarter. Compared to the fourth quarter 2017 this is an improvement of EBITDA of SEK 1.3 million. The EBITDA for the year amounted to SEK 18.2 million compared to SEK 9.9 to last year.

The segment Managed Services also includes software development costs relating Managed Services activities and the onboarding of several new programs.

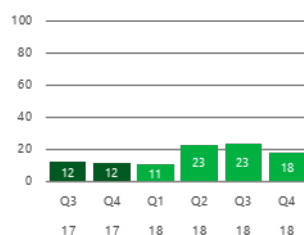
**SALES SYSTEM SALES**  
(xMil)



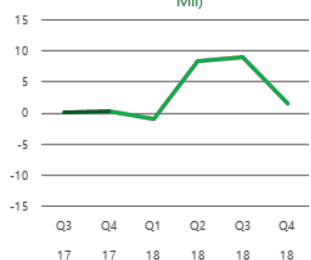
**EBITDA SYSTEM SALES**  
(x Mil)



**SALES MANAGED SERVICES**  
(x Mil)



**EBITDA MANAGED SERVICES** (x Mil)





SEK thousands	Oct - Dec 2018			Oct - Dec 2017		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	107,588	17,881	125,469	72,284	11,780	84,064
Inter-segment transactions	-195	-851	-1,046	-432	-357	-789
<b>Total Net Sales</b>	<b>107,393</b>	<b>17,030</b>	<b>124,423</b>	<b>71,852</b>	<b>11,423</b>	<b>83,275</b>
<b>EBITDA</b>	<b>15,046</b>	<b>1,658</b>	<b>16,704</b>	<b>4,962</b>	<b>430</b>	<b>5,392</b>
Depreciation and amortization	-2,960	-6,453	-9,413	-2,577	-7,514	-10,091
<b>Operating Profit</b>	<b>12,086</b>	<b>-4,795</b>	<b>7,291</b>	<b>2,385</b>	<b>-7,084</b>	<b>-4,699</b>
Net financial items			649			-4,350
<b>Profit before tax</b>			<b>7,940</b>			<b>-9,049</b>
Tax			-129			-3,547
<b>Profit for the period</b>			<b>7,811</b>			<b>-12,596</b>

SEK thousands	Jan - Dec 2018			Jan - Dec 2017		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	316,669	74,439	391,108	242,082	55,709	297,791
Inter-segment transactions	-6,310	-4,444	-10,754	-4,340	-357	-4,697
<b>Total Net Sales</b>	<b>310,359</b>	<b>69,995</b>	<b>380,354</b>	<b>237,742</b>	<b>55,352</b>	<b>293,094</b>
<b>EBITDA</b>	<b>19,339</b>	<b>18,224</b>	<b>37,563</b>	<b>-25,746</b>	<b>9,883</b>	<b>-15,863</b>
Depreciation and amortization	-11,049	-25,925	-36,974	-9,327	-29,574	-38,901
<b>Operating Profit</b>	<b>8,290</b>	<b>-7,701</b>	<b>589</b>	<b>-35,073</b>	<b>-19,691</b>	<b>-54,764</b>
Net financial items			-1,685			-10,552
<b>Profit before tax</b>			<b>-1,096</b>			<b>-65,316</b>
Tax			-1,376			3,470
<b>Profit for the period</b>			<b>-2,472</b>			<b>-61,846</b>

## Nature of services

KSEK	2018	2017
System sales	234,902	163,418
Service & Maintenance	67,738	68,050
License	7,841	6,274
Managed Services	69,873	55,352
	<b>380,354</b>	<b>293,094</b>

## Sales by region

KSEK	2018	2017
Europe	172,219	179,012
Americas	70,362	55,072
ME and APAC	137,774	59,010
	<b>380,354</b>	<b>293,094</b>

## Cash flow

### Cash and available cash

Cash and cash equivalents at the end of the period totalled SEK 76.6 million (58.9). At the end of the period free available cash amounted SEK 153.2 million (121.3) taking into account the total amount of available credit facilities.

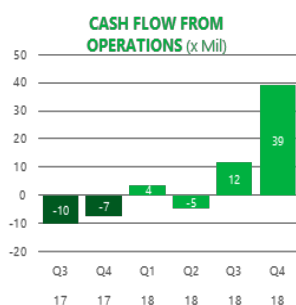
The group's credit facility agreements are subject to covenant clauses, whereby the group is required to meet certain financial ratios. Sensys Gatso has agreed to new covenant ratios with both the SEB and Rabobank for 2018 and onward.

### Cash flow from operating activities

During the quarter Sensys Gatso has had a positive cash flow from operating activities of SEK 39.0 million (-7.3) in 2018. The cash flow from operating activities for the year amounted to SEK 49.3 million compared to SEK -39.3 million for the last year. Sensys Gatso does no longer expect payments based on the settlement agreement relating to the project receivable communicated on February 7, 2018. This receivable has been fully provisioned in 2017.

### Cash flow from investing activities

The investments in fixed assets amounted to SEK 21.3 million (13.0) in the fourth quarter.



## OTHER INFORMATION

### Significant events during the fourth quarter 2018

- 2 Oct – Sensys Gatso wins Managed Services contract in Germany worth estimated SEK 5 million over five years
- 9 Oct – Sensys Gatso wins order from Australia worth SEK 5.8 million
- 26 Oct – Sensys Gatso gets the green light to turn on its Uninsured Vehicle Enforcement Diversion (UVED) managed services program in Oklahoma, US
- 29 Oct – Nomination Committee appointed for Annual General Meeting 2019 and information about the AGM
- 31 Oct – Sensys Gatso receives Finnish order worth 0.56 MEUR
- 28 Nov – Sensys Gatso has been awarded the Low Emission Zone enforcement contract in the city of Amsterdam worth SEK 6 million
- 3 Dec – Sensys Gatso may experience some interruptions in deliveries for the remaining of 2018 due to fire at supplier
- 4 Dec – Sensys Gatso Group launches FLUX, the unprecedented, scalable traffic enforcement platform for the future
- 17 Dec – Sensys Gatso USA has been awarded a School Zone speed contract worth SEK 32 million
- 19 Dec – Sensys Gatso receives order from the Swedish Transport Administration worth SEK 50 million
- 21 Dec – Sensys Gatso receives contract extension from Australia worth SEK 4.5 million
- 28 Dec – Sensys Gatso receives an order from Croatia worth SEK 8.9 million

### Significant events in the previous quarters 2018

- 16 Jan – Sensys Gatso appoints new CFO and CCO
- 24 Jan – Sensys Gatso wins 5-year contract for managed services in Ohio, US, the value is estimated to SEK 5 million
- 5 Feb – Sensys Gatso receives an order from Qatar worth SEK 10 million
- 7 Feb – Sensys Gatso has decided to fully provision with SEK 5 million on an outstanding receivable regarding projects deliveries in the Middle East from 2016
- 23 Feb – Sensys Gatso wins procurement contract in Finland, estimated value SEK 30 million
- 22 Mar – Sensys Gatso receives an order for in-vehicle traffic enforcement systems from the Middle East, potential order value of EUR 10 million, corresponding to SEK 100 million
- 3 Apr – Sensys Gatso is granted contract extension in Tuscaloosa, Alabama, estimated contract value over three years USD 0.580 million
- 3 Apr – Sensys Gatso receives contract extension in Maitland, Florida, estimated contract value of USD 0.620 million over three years
- 24 Apr – Sensys Gatso receives contract extension in Winter Park, Florida, estimated contract value of just over USD 1 million over three years
- 2 May – Order from Australia worth SEK 9 million
- 2 May – Iowa, US, Supreme Court, reverses 2017 decision authorizing Iowa Department of Transportation to Regulate Cities' Automated Traffic Enforcement Cameras
- 7 May – The State of Iowa, US, passes top priority bills and closes 2018 legislative session

- 11 May – Sensys Gatso receives contract extension from Australia worth AUD 2.5 million
- 17 May – Resolutions from the AGM
- 21 May – Sensys Gatso signs contract for traffic safety in Finland, estimated value up to SEK 30 million over three years
- 28 May – Sensys Gatso wins Managed Services contract for Upper Marlboro, Maryland worth estimated SEK 9 million
- 28 May – Sensys Gatso receives award for traffic safety in Belgium. The procurement award is estimated to be worth up to SEK 27 million
- 7 Jun – Sensys Gatso receives a procurement award for Point-to-Point systems in the Netherlands of SEK 66 million
- 22 Jun – Sensys Gatso wins managed services takeover contract in New Miami, OH, US, worth estimated SEK 18 million over five years
- 16 Jul – Sensys Gatso wins managed services contracts take-over, estimated value SEK 8 million
- 16 Jul – Sensys Gatso signs framework agreement for point-to-point solution in the Netherlands. Add-on agreement to the framework agreement that was signed on June 7
- 18 Jul – Sensys Gatso receives order worth SEK 12 million with an opportunity of more from Australia
- 18 Jul – Sensys Gatso receives order worth SEK 25 million in Australia
- 25 Jul – Sensys Gatso wins managed services contracts worth SEK 8 million
- 2 Aug – Sensys Gatso receives an order from Australia worth SEK 5,9 million
- 21 Aug – Sensys Gatso has received an additional order for in-vehicle safety systems worth EUR 1.5 million, corresponding to SEK 16 million, from France
- 22 Aug – The Speed Enforcement program in Iowa resumes
- 10 Sep – Sensys Gatso Group has carried out conversion of a vendor note which has resulted in a change in the number of shares and votes in Sensys Gatso Group. After the conversion there are in total 860,024,407 shares in the company, entitling to a total of 860,024,407 votes
- 13 Sep – Sensys Gatso appoints new General Manager for the Swedish subsidiary Sensys Gatso Sweden AB
- 24 Sep – Sensys Gatso delivers in-vehicle enforcement systems to Saudi Arabia, first order of SEK 66 million in the framework agreement from March 22, 2018

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

- 7 Jan – Sensys Gatso delivers third batch in-vehicle enforcement systems to Saudi Arabia
- 18 Feb – Sensys Gatso USA and Town of Upper Marlboro, US, have mutually agreed to terminate the contract

A list of Sensys Gatso's press releases can be found on [www.sensysgatso.com/](http://www.sensysgatso.com/)

### Related party disclosures

In connection with the acquisition of Gatso Beheer in 2015 a vendor note of approximately EUR 6.8 million was issued as part of the consideration. As stated in the press release issued on June 23, 2015 the vendor loan may under certain circumstances be converted into new shares in Sensys Gatso Group. The first instalment of EUR 3 million of the vendor loan fell due on July 31, 2018. Approximately EUR 1.6 million of this instalment is still outstanding and will now, in accordance with the terms and conditions of the vendor loan, be converted into 15 110 738 new shares to be issued to Gatso Special Products. The conversion price amounts to SEK 1.1583 per share.

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

### AGM 2019

The AGM for 2019 will take place on Thursday May 9, 2019, in Jönköping. Please, go to [www.sensysgatso.com/](http://www.sensysgatso.com/) for more information about the nomination committee and how to proceed as a shareholder to get an issue handled by the AGM.

### Sustainability

Sensys Gatso Group develops, manufactures, markets and sells system solutions and products that increase road safety. Our largest product category includes automated red light, speed and traffic monitoring systems that prevent traffic accidents; saving lives and saving social resources. See more information about our sustainability work in the 2017 Annual Report, available at [www.sensysgatso.com](http://www.sensysgatso.com).

For further information please contact:  
Ivo Mönnink, CEO  
e-mail: [i.monnik@sensysgatso.com](mailto: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 21 February 2019.*

## GROUP FIGURES

### Consolidated statement of comprehensive income

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
<b>SEK thousands</b>				
Net sales	124,423	83,275	380,349	293,094
Cost of goods sold	-73,546	-46,881	-218,834	-176,910
<b>Gross profit</b>	<b>50,877</b>	<b>36,394</b>	<b>161,515</b>	<b>116,184</b>
Selling expenses	-19,908	-21,249	-75,098	-83,528
Administrative expenses	-11,386	-8,514	-38,579	-40,266
Development expenses	-12,146	-11,873	-46,176	-47,105
Other operating expenses/income	-146	543	-1,073	-49
<b>Operating profit</b>	<b>7,291</b>	<b>-4,699</b>	<b>589</b>	<b>-54,764</b>
Net financial items	649	-4,350	-1,685	-10,552
<b>Profit before tax</b>	<b>7,940</b>	<b>-9,049</b>	<b>-1,096</b>	<b>-65,316</b>
Tax	-129	-3,547	-1,376	3,470
<b>Profit for the period</b>	<b>7,811</b>	<b>-12,596</b>	<b>-2,472</b>	<b>-61,846</b>
Profit is attributable to owners of Sensys Gatso Group AB	8,189	-10,429	-1,897	-58,067
Profit is attributable to non- controlling interest	-378	-2,167	-575	-3,779
	<b>7,811</b>	<b>-12,596</b>	<b>-2,472</b>	<b>-61,846</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit or loss</i>				
Translation differences	947	9,435	18,587	-3,041
<b>Total other comprehensive income for the period, net after tax</b>	<b>947</b>	<b>9,435</b>	<b>18,587</b>	<b>-3,041</b>
<b>Total comprehensive income for the period</b>	<b>8,758</b>	<b>-3,161</b>	<b>16,115</b>	<b>-64,887</b>
Number of shares (thousands)	860,024	844,914	860,024	844,914
Earnings per share (SEK)	0.01	-0.01	0.00	-0.07

## Consolidated balance sheet

SEK thousands	31 Dec 2018	31 Dec 2017
<b>Assets</b>		
Goodwill	251,257	239,166
Customer contracts and relations	24,076	35,459
Brand	14,654	16,191
Intangible non-current assets	34,399	38,879
Property, plant and equipment	8,666	7,245
Fixed assets in operations	33,340	27,856
Deferred tax assets	37,417	38,439
Other non-current assets	351	361
Trade and other receivables	56,935	71,322
Inventories and work in progress	71,864	62,510
Other current assets	22,097	27,910
Cash and bank balances	76,607	58,931
<b>Total assets</b>	<b>631,663</b>	<b>624,269</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	453,689	420,072
Long-term liabilities	0	252
Long-term liabilities towards shareholders	48,692	55,908
Provision	6,907	7,725
Deferred tax liabilities	16,824	23,226
Short-term liabilities	0	10,200
Short-term liabilities towards shareholders	10,199	15,993
Trade and other payables	27,996	30,695
Other current interest-free liabilities	67,356	60,198
<b>Total shareholders' equity and liabilities</b>	<b>631,663</b>	<b>624,269</b>

## Consolidated statement of changes in equity

SEK thousands	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
<b>Beginning of period</b>	<b>444,931</b>	<b>324,897</b>	<b>420,072</b>	<b>386,623</b>
New share issue, net		98,336	17,502	98,336
Net profit for the period	8,189	-10,429	-1,897	-58,067
Minority interest in subsidiaries	-378	-2,167	-575	-3,779
Other comprehensive income	947	9,435	18,587	-3,041
<b>Total comprehensive income for the period</b>	<b>8,758</b>	<b>95,175</b>	<b>33,617</b>	<b>33,449</b>
<b>End of period</b>	<b>453,689</b>	<b>420,072</b>	<b>453,689</b>	<b>420,072</b>

## Cash flow statement

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
<b>SEK thousands</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Operating profit</b>	<b>7,291</b>	<b>-4,699</b>	<b>589</b>	<b>-50,065</b>
Items with no effect on cash flow	9,068	7,708	34,457	40,425
Financial items	1,744	8,270	-486	-106
Tax paid	-1,025	2,324	-310	766
<b>Funds contributing from operating activities</b>	<b>17,078</b>	<b>13,603</b>	<b>34,249</b>	<b>-13,679</b>
Change in working capital	21,957	-20,905	15,058	-25,571
<b>Cash flow from operating activities</b>	<b>39,035</b>	<b>-7,302</b>	<b>49,307</b>	<b>-39,250</b>
Cash flow from investing activities	-8,541	-5,552	-21,314	-13,003
	<b>30,494</b>	<b>-12,854</b>	<b>27,993</b>	<b>-52,253</b>
<b>Financing activities</b>				
New share issue	0	87,199	17,502	87,199
Repayment of loan	-152	-33	-266	-18,896
Repayment/usage of credit facilities	-16,128	-17,552	-10,200	10,049
Repayment of loan to shareholders	0	-7,079	-17,502	0
<b>Change in cash and bank balances</b>	<b>14,214</b>	<b>49,681</b>	<b>17,527</b>	<b>26,099</b>
Liquid funds at the beginning of the period	62,388	10,330	58,931	31,643
Translation differences in liquid funds	5	-1,080	149	1,189
<b>Closing cash and cash equivalents</b>	<b>76,607</b>	<b>58,931</b>	<b>76,607</b>	<b>58,931</b>



## PARENT COMPANY

### Statement of comprehensive income

	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
SEK thousands	2018	2017	2018	2017
Other sales	2,768	1,174	7,840	6,275
Cost of goods sold	0	0	0	0
<b>Gross profit</b>	<b>2,768</b>	<b>1,174</b>	<b>7,840</b>	<b>6,275</b>
Administrative expenses	-3,950	-1,904	-13,881	-18,062
Other operating expenses/income	0	-15	0	-10
<b>Operating profit</b>	<b>-1,182</b>	<b>-745</b>	<b>-6,041</b>	<b>-11,797</b>
Net financial items	-131	-1,600	-3,739	-2,645
<b>Profit before tax</b>	<b>-1,313</b>	<b>-2,345</b>	<b>-9,780</b>	<b>-14,442</b>
Tax	0	0	-1,343	-2,984
<b>Profit for the period/Comprehensive income for the period</b>	<b>-1,313</b>	<b>-2,345</b>	<b>-11,123</b>	<b>-17,426</b>

### Balance sheet

	31 Dec	31 Dec
SEK thousands	2018	2017
Intangible non-current assets	3,824	0
Shares in subsidiaries	413,952	413,952
Deferred tax assets	19,761	21,104
Receivables from Group	33,828	30,000
Other current assets	679	462
Cash and bank balances	21,389	37,404
<b>Total assets</b>	<b>493,433</b>	<b>502,922</b>
		0
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	451,783	445,042
Long-term liabilities towards shareholders	28,141	36,209
Short-term liabilities towards shareholder	10,199	15,993
Trade and other payables	628	0
Trade and other payables from Group	81	450
Other current interest-free liabilities	2,601	5,228
<b>Total shareholders' equity and liabilities</b>	<b>493,433</b>	<b>502,922</b>

## Change in shareholders' equity

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
<b>SEK thousands</b>				
<b>Beginning of period</b>	<b>452,735</b>	<b>349,051</b>	<b>445,043</b>	<b>364,132</b>
New share issue, net		98,336	17,502	98,336
Profit for the period/Comprehensive income for the period	-1,313	-2,345	-11,123	-17,426
Stock related remuneration	361	0	361	
<b>End of period</b>	<b>451,783</b>	<b>445,042</b>	<b>451,783</b>	<b>445,042</b>

## QUARTERLY DATA

### Consolidated statement of income, quarterly data

	2018				2017	
	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	124,423	95,688	88,557	71,681	83,275	70,885
Cost of goods sold	-73,546	-49,006	-49,587	-46,695	-46,881	-47,964
<b>Gross profit</b>	<b>50,877</b>	<b>46,682</b>	<b>38,970</b>	<b>24,986</b>	<b>36,394</b>	<b>22,921</b>
Costs	-43,586	-37,896	-39,584	-39,860	-41,093	-41,114
<b>Operating profit</b>	<b>7,291</b>	<b>8,786</b>	<b>-614</b>	<b>-14,874</b>	<b>-4,699</b>	<b>-18,193</b>
Net financial items	649	-1,843	2,691	-3,182	-4,350	-810
<b>Res Profit before tax</b>	<b>7,940</b>	<b>6,943</b>	<b>2,077</b>	<b>-18,056</b>	<b>-9,049</b>	<b>-19,003</b>
Tax	-129	-2,854	-3,375	4,982	-3,547	2,021
<b>Profit for the period</b>	<b>7,811</b>	<b>4,089</b>	<b>-1,298</b>	<b>-13,074</b>	<b>-12,596</b>	<b>-16,982</b>

### Key indicators and other information, quarterly basis

	2018				2017	
	Q4	Q3	Q2	Q1	Q4	Q3
Operating margin (%) <sup>1)</sup>	0.06	0.09	Neg	Neg	Neg	Neg
Gross margin (%) <sup>2)</sup>	40.89	48.79	44.01	34.86	43.70	32.34
Profit margin (%) <sup>3)</sup>	0.06	0.04	Neg	Neg	Neg	Neg
Equity per share (SEK) <sup>4)</sup>	0.53	0.52	0.50	0.50	0.50	0.49
Cash flow per share (SEK) <sup>6)</sup>	0.05	0.01	-0.01	0.00	-0.01	-0.02
Number of employees <sup>7)</sup>	195	188	178	170	169	167
No. Of outstanding shares (thousands)	860,024	860,024	844,914	844,914	844,914	657,155
Equity/assets ratio (%)	71.82	72.90	70.25	66.78	67.29	58.69
Order intake (SEK thousands)	143,941	100,689	182,856	52,798	156,322	59,423

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.

#### *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. Due to this, we believe that, in order to assist in understanding the operational business and growth, it is useful to consider EBITDA when assessing the financial performance.

#### *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, with the exception of the adoption of the new standards IFRS 15 and IFRS 9.

### **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 has been applied from the 2018 financial year.

In 2017, workshops were held and an investigation conducted to identify potential differences between IAS 18 and IFRS 15.

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

The following this analysis, the assessment is that there were no material differences between the currently applicable accounting policies, IFRS 15 and the previously used accounting policy IAS18. The sales of products is 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 had 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, comparative periods has not been restated. The adaptation of IFRS 9 has not had 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. Based on Sensys Gatso's analysis of the impact of IFRS 16 the modified retrospective approach has been chosen as method. This means 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.

Based on the analysis performed the estimated impact on right of use assets and corresponding lease liabilities amounts to approximately SEK 29.5 million. The adoption of the new standard will have a positive impact on EBITDA of approximately SEK 8.8 million.

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 21 February at 09:30 CEO Ivo Mönnink and CFO Simon Mulder will present the Year-End Report of 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 by <https://digital.vevent.com/rt/fronto2~sensys-q4-2018>

**In order to participate in the audiocast you will need to register yourself. This registration is done by an e-mail address, when accessing the link above.**

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/7974646>

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 9 175 039 901

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: **7974646** or "Sensys" to register.

Please call ten minutes before the time specified.

The presentation in connection with this report will be published on the website.

#### **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

### Financial calendar

#### *Future reporting dates*

Interim Report Jan – March 2019	25 April 2019
AGM 2019	9 May 2019
Interim Report Jan – June 2019	29 Aug 2019
Interim Report Jan – Sep 2019	28 Nov 2019