

# Sensys Gatso Group AB

## Year-End Report

### October- December 2019



	Oct - Dec 2019	Oct - Dec 2018	Jan - Dec 2019	Jan - Dec 2018
<b>MSEK</b>				
Net Sales	158.0	124.4	406.3	380.3
Order intake	241.2	143.9	561.9	480.3
Operating profit (EBIT)	13.9	7.3	-24.4	0.6
Operating profit (EBITDA)	27.1	16.7	28.6	37.6
Total Comprehensive income	7.8	8.8	-6.0	16.1
Earnings per share, before and after dilution (SEK)	0.02	0.01	-0.02	0.00
Cash flow from operating activities	43.4	39.0	-3.7	49.3

## Comments from the CEO

### High order intake drives growth

During the fourth quarter, Sensys Gatso reinforced the already strong order book for 2019. The order book increased by 67 percent to SEK 241 (144) million in the fourth quarter, arriving at a record high total year order intake of SEK 562 million (428). Sensys Gatso achieved strong fourth quarter results, net sales increased by 27 percent to SEK 158 (124) million and the EBITDA was positive SEK 27 (17) million. Our strategy remains the same. We continue to focus on increasing our recurring Traffic enforcement as a Service (TRaaS) revenues with innovative solutions and new customers. We advanced further into the promising US market, where we signed 9 contracts during the year, combining our flexible hardware and software platform. We entered the Latin America market with two new orders from Colombia.

Sensys Gatso significantly expanded the business in 2019 and in parallel we developed our agile way of working to ensure increased efficiency. Customers in our markets are increasingly investing in infrastructure and Sensys Gatso is in a good position to handle the growing demand for new solutions and services.

### Traffic enforcement on the rise

Several global trends continued to favor Sensys Gatso, not the least the world's drive for sustainable cities and the UN's 2030 sustainable development goals. Making the roads safer by changing human behaviour in traffic is our business strategy. Our TRaaS business model supports our customers in the transformation towards sustainable and safe environments. An example of this is the global increased interest in distracted driving enforcement, for which we are participating in customer pilot projects.

We saw healthy demand from our customers in EMEA, retaining our strong market position. In Australia, Sensys Gatso received technical and legal approval of our innovative in-vehicle solution, followed by a strong order intake in the fourth quarter of an impressive SEK 167 million. The USA, our biggest single market, showed solid demand for our full TRaaS-offering. Sensys Gatso is currently present in 11 states with 34 active programs. During the year we have successfully implemented the first state-wide Uninsured Vehicle Enforcement program, a promising business vertical in this market.

Our strong international brand name and US presence helped us to win significant orders in two separate departments in Colombia, leading Sensys Gatso to enter the new Latin America market in 2019. After the quarter we received a notice of award from Costa Rica for the country's Nationwide Intelligent Transportation System for a total value of SEK 192 million. This further reinforces our position in Latin America.

### **Transforming to a service provider**

A few years ago we decided to focus on becoming a full solution provider to our customers. This has been particularly successful in the US market, where we fully maintain and control the enforcement infrastructure, including the back-office, and where we get paid per citation. Our TRaaS revenues now accounts for more than 44 (38) percent of our revenues. This strengthens the bond with our customers and gives our research and development engineers invaluable information. With this we continue to create the best solutions and programs in the market. As a result, Sensys Gatso is changing more and more from an equipment provider with one-off revenue to a service provider with recurring revenue. This is what we call the Traffic Enforcement as a Service (TRaaS) transformation.

### **Long-term financial goals set the ambition**

Sensys Gatso is focused on our home markets Sweden and Netherlands, on growth markets like the US, MEA and Latin America and on growth segments such as uninsured vehicles and distracted driving. Across all our markets and enforcement segments, the number one priority is to grow our recurring TRaaS-business, with the ambition to achieve long-term profitable growth. Management and the board have developed a 2025 strategy, which is built around growing this TRaaS business and around the focus markets and segments.

Diverse global market conditions and customer needs are changing faster than ever. Sensys Gatso's investments in technology have resulted in scalable software solutions combined with flexible hardware. The great strength of our FLUX hardware platform is that it seamlessly integrates with our existing software solutions PULS and Xilium. This means that we can offer complete, flexible and scalable solutions for traffic enforcement. This allows us to scale up much faster, targeting new customers and new verticals like uninsured vehicles and parking enforcement. It also allows for faster geographical expansion into new markets like Latin America. In our existing markets we focus on expanding our service and maintenance business.

To provide direction internally and share our ambition with our investors, Sensys Gatso has set new long-term financial goals for 2025, based on a thorough review of our strategy and our long-term business plan. We are on a long-term plan to grow our net sales from SEK 400 million in 2019 to more than SEK 1 billion, of which TRaaS revenues is more than SEK 600 million, in 2025. Our ambition is to increase the profitability from 7 percent EBITDA margin in 2019 to more than 15 percent in 2025.

### **Doing the right thing**

Our mission and focus remain the same. Sensys Gatso plays a leading role in changing traffic behavior and saving lives. Thanks to the combination of our scalable software solutions and flexible hardware, our strong global brand heritage and our competent global team, we feel we have a unique opportunity to increase our recurring revenues through our TRaaS offering on highways, rural roads and in cities.

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

## Financial summary

### Key indicators

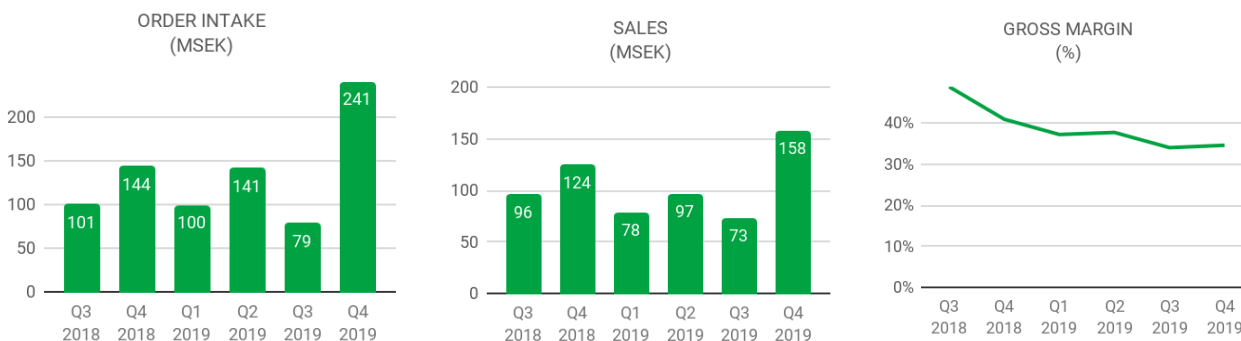
	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec	Jan - Dec
TSEK	2019	2018	2019	2018	2017
Net sales	157,997	124,423	406,325	380,349	293,094
Order intake	241,194	143,941	561,940	480,284	348,918
Gross margin (%)	34.6	40.9	35.7	42.5	39.6
Operating profit (EBIT)	13,897	7,291	-24,392	589	-54,764
Operating margin (EBIT %)	8.80	5.9	Neg	0	Neg
Operating profit (EBITDA)	27,072	16,704	28,567	37,563	-15,864
Profit for the period	18,412	7,811	-15,111	-2,472	-61,846
Earnings per share (SEK)	0.02	0.01	-0.02	0.00	-0.07
Cash flow from operations	43,395	39,035	-3,740	49,307	-39,250

IFRS 16 has an impact on comparability of 2019 numbers to the reported 2018 numbers. We refer to the disclosure on page 23.

### EBITDA

	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec	Jan - Dec
TSEK	2019	2018	2019	2018	2017
Operating profit (EBIT)	13,897	7,291	-24,392	589	-54,764
Depreciation tangible and intangible fixed assets	8,804	3,663	30,767	14,562	17,175
Amortization of acquired intangible assets	4,371	5,750	22,192	22,412	21,725
<b>Operating profit (EBITDA)</b>	<b>27,072</b>	<b>16,704</b>	<b>28,567</b>	<b>37,563</b>	<b>-15,864</b>

## Financial results Group











### October - December 2019

Order intake during the fourth quarter totalled SEK 241.2 million compared to SEK 143.9 million in the same quarter last year. The order intake for the quarter mainly relates to orders received from our customers in Australia and the USA, amongst other smaller repeat orders.

Net sales in the fourth quarter, amounted to SEK 158.0 million (124.4). The segment System Sales contributed SEK 129.7 million (107.4) and Managed Services contributed SEK 28.3 million (17.0).

TSEK	Oct - Dec 2019	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
Europe	57,968	188,089	172,219	179,012
Americas	40,465	103,453	70,362	55,072
APAC and MEA	59,564	114,786	137,774	59,010
<b>Total Sales</b>	<b>157,997</b>	<b>406,328</b>	<b>380,354</b>	<b>293,094</b>

During the fourth quarter we have delivered on our big project in the Middle East and we have partially delivered on our mobile project in Australia. The increase of sales in 2019 in the region Americas is due to new TRaaS programs received in 2018 and 2019 contributing to sales and the delivery to Columbia in the fourth quarter.

SYSTEM SALES			MANAGED SERVICES		
					
<b>One-off</b>	<b>TRaaS</b>		<b>TRaaS</b>	<b>TRaaS</b>	<b>TRaaS</b>
Project Sales & Customer Specific Development	Service and Maintenance		Automated Traffic Enforcement (Speed & Red-Light)	Uninsured Vehicle Enforcement Diversion (UVED)	Software (PULS & Xilium)
					 

TRaaS is recurring revenue from service and maintenance within System Sales and Managed Services.

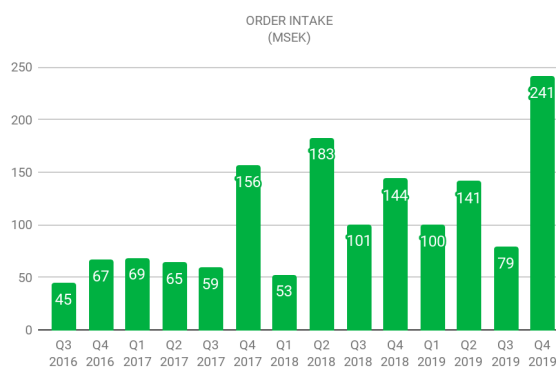
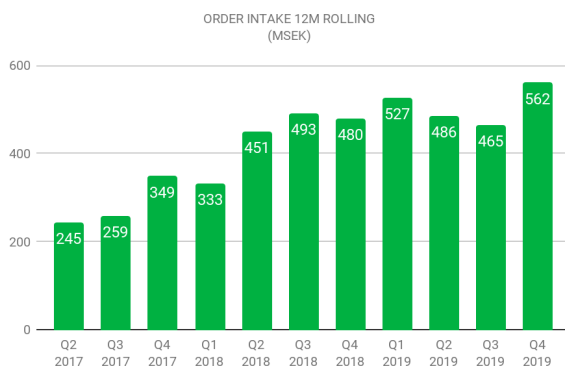
	Oct - Dec 2019	Oct - Dec 2018	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
<b>TSEK</b>					
System Sales	108,039	52,893	229,153	234,902	163,418
TRaaS: Service & Maintenance	21,149	16,409	79,021	67,738	68,050
TRaaS: Licenses	864	3,641	3,468	7,841	6,274
TRaaS: Managed Services	27,945	22,744	94,686	69,873	55,352
<b>Total Sales</b>	<b>157,997</b>	<b>95,687</b>	<b>406,328</b>	<b>380,354</b>	<b>293,094</b>
Of which TRaaS:	49,958	42,794	177,175	145,452	129,676
TRaaS % of total Sales:	32%	45%	44%	38%	44%

Of the total sales in 2019, 44 percent relates to recurring revenues based on Service & Maintenance, License and Managed Services revenue, compared to 38 percent for the full year 2018.

The operating expenses totalled SEK 40.7 million (43.6) including amortisation of intangible fixed assets recognized as part of the acquisition to the amount of SEK 4.4 million (5.8).

The gross margin for the quarter was 34.6 percent (40.9). The decrease in gross margin compared to the fourth quarter 2018 is due to a relative higher contribution of system sales, with typically a lower margin compared to Managed Services sales. The margin on Managed Services sales in 2019 has been lower due to costs relating to starting up new programs.

The operating profit for the quarter totalled SEK 13.9 million (7.3) and the profit after taxation totalled SEK 18.4 million (7.8).



### January – December 2019

During 2019 we have received new orders, repeat orders and contract renewals with a total value of SEK 561.9 million (427.5).

Net sales for the period January to December 2019 amounted to SEK 406.3 million (380.3). The segment System Sales contributed SEK 311.5 million (310.4) and Managed Services contributed SEK 94.9 million (70.0) to the net sales of 2019.

The gross margin in 2019 amounted to 35.7 percent compared to a gross margin of 42.5 percent in 2018.

The operating expenses in 2019 amounted to SEK 169.4 million (160.9). The increase in 2019 is mainly due to an increase of costs for employees and related administrative expenses.

The operating profit amounted to SEK -24.4 (0.6) million and the profit after taxation amounted to SEK -15.1 million (-2.5).

### Investments

During 2019 the investments in fixed assets amounted to SEK 45.0 million (21.3) of which SEK 41.4 million (16.2) related to tangible fixed assets and SEK 3.7 million (5.1) relates to intangible fixed assets. The investments in tangible fixed assets mainly relate to investments in fixed assets in operations related to Managed Services programs in the US. The investments in intangible fixed assets mainly relates to the continued development of our FLUX platform.

As a consequence of the implementation of IFRS 16 as of January 1, 2019 costs relating to rent and lease of buildings and other assets have been capitalized on the balance sheet in their respective categories (Right of use Assets). The liabilities have been recorded under the long-term borrowings as Lease liabilities. The short-term part of these liabilities have been presented under the short-term borrowings. The impact of IFRS 16 amounts to an increase in assets and liabilities to the amount of SEK 41.2 million as of January 1, 2019.

### Personnel

The average number of full-time employees was 202 people (169). The number of employees at the end of the period was 252 to be compared with 195 at the end of the financial year 2018. The increase in employees is mainly due to processing staff in the USA, relating to on-boarding of new

programs, project temps in Australia relating to the execution of the various projects that were announced in 2018 and increase in development employees for development of various customer specific solutions and our generic platform FLUX.

### Financial position

The Group's equity at the end of the period totalled SEK 448.9 million (453.7), producing an equity/assets ratio of 63.3 percent (71.8). This ratio has been significantly impacted by the implementation of IFRS 16 in 2019, which is reflected in the short-term liabilities to the amount of SEK 10.3 million and in the Long-term liabilities to the amount of SEK 23.1 million.

Net interest-bearing debt amounted to SEK 77.0 million (-17.7). The increase of the long-term liabilities is due to the implementation of IFRS 16. The increase in net interest bearing debt is mainly caused by financing of working capital assets and investments in fixed assets in operations.

	31 Dec 2019	31 Dec 2018	31 Dec 2017
<b>TSEK</b>			
Short-term liabilities	66,878	10,199	26,193
Long-term liabilities	62,497	48,692	56,160
Cash and bank	-52,373	-76,607	-58,931
<b>Net Interest-bearing debt</b>	<b>77,002</b>	<b>-17,716</b>	<b>23,422</b>

### The Sensys Gatso share

The number of shares at the end of the period was 860,024,407 (860,024,407). The average number of shares during the year was 860,024,407 (848,691,354).

The table below shows the five largest shareholders in the Company as per end of September 2019. 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	164,247,615	19.1
2	FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	36,673,360	4.2
3	WALL, PER	23,000,000	2.7
4	BERGSTRAND, INGER	20,659,837	2.4
5	NORDNET PENSIONS FÖRSÄKRING AB	10,260,319	1.2

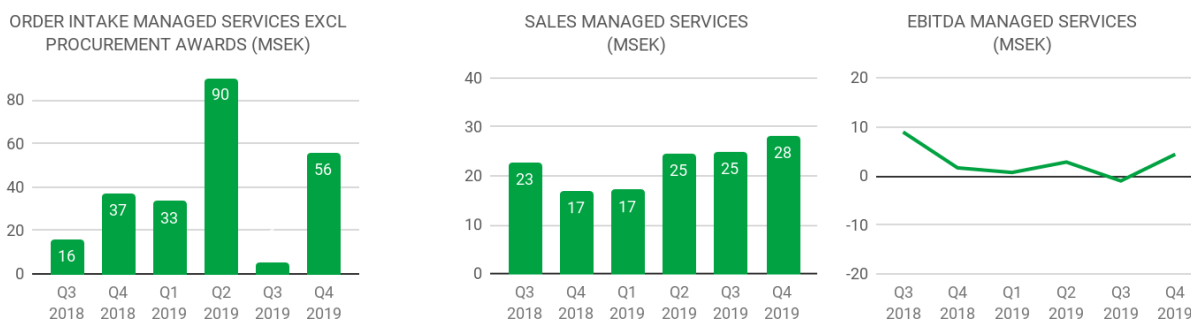


#	Concentration	Proportion of share capital/ Votes%
10	Largest holders	34.0
20	Largest holders	38.7
50	Largest holders	45.6
100	Largest holders	51.3

#	Country	Proportion of share capital/ Votes%
1	Sweden	75.1
2	Netherlands	19.1
3	United States	1.8
4	Denmark	1.0
5	Switzerland	0.9
6	Other	2.1
		<b>100.0</b>

## Business Segments

The two main segments used for internal reporting and managing the different operations are System Sales and Managed Services. TRaaS is recurring revenue from service and maintenance within System Sales and Managed Services.



### Managed Services

During the quarter we have been awarded three TRaaS contracts with an estimated total contract value of SEK 56.0 million over contract periods between 3 and 5 years.

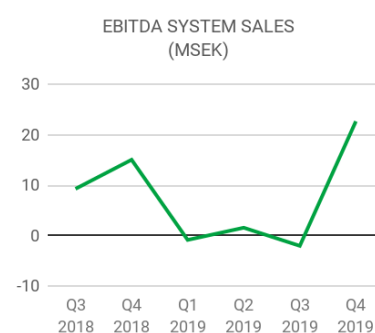
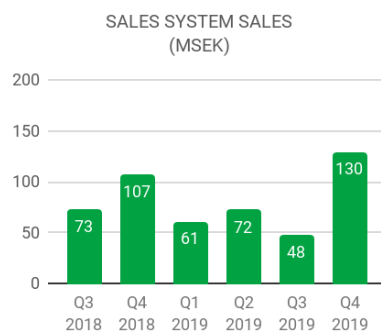
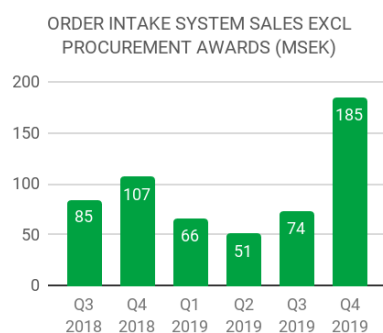
Managed Services sales amounted to SEK 28.3 million (17.0) in the quarter. The increase in sales is due to the startup of new programs announced during 2018 and during the year in the USA and Germany. The segment has incurred an EBITDA of SEK 4.4 million (1.7).

Besides the US operation the segment Managed Services also includes Managed Service programs in Germany and the software development department in Amsterdam, which develop PULS and Xilium.

The EBITDA improved during the fourth quarter to SEK 4.4 million compared to SEK 1.7 million in the fourth quarter 2018. The year 2019 has been a year of investing in new business verticals (UVED) and starting up multiple new speed and redlight programs. These programs typically have an on average implementation time of 10 months and start-up costs, which have a negative impact on the EBITDA on the short-term.

The depreciation of this segment, mainly relating to fixed assets in operations, amounted to SEK 4.5 million excluding the depreciation of intangible fixed assets of SEK 3.6 million relating to the acquisition of Gatso Beheer B.V.

The operating profit in the fourth quarter, adjusted for the depreciation of intangible fixed assets of SEK 3.6 million amounted to SEK -0.1 million (-0.3).



## System Sales

The order intake for the segment System Sales amounted to SEK 185.2 million in the quarter. The order intake mainly relates to orders from one of our customers in Australia.

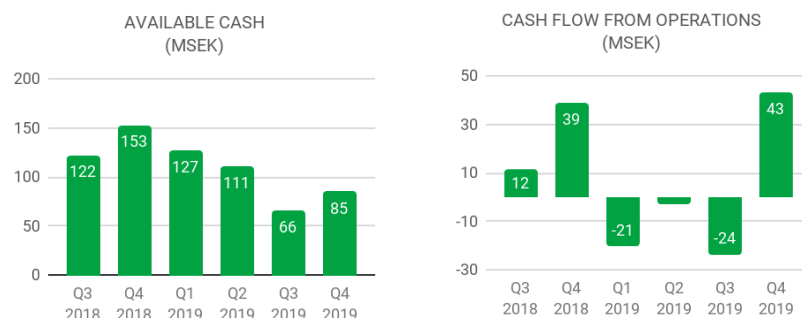
Sales in the segment System Sales relates to one-off system sales and recurring revenue from service and maintenance. In this segment the service and maintenance sales provide a solid income evenly spread throughout the year. The one-off System Sales in this quarter relates mainly to Systems Sales in Europe, Australia, Saudi Arabia and to our new clients in Columbia. Systems Sales amounted to SEK 129.7 million (107.4) in the quarter, of which 21.1 (16.9) relates to TRaaS recurring revenue.

The segment has incurred an EBITDA of 22.7 million (15.0) in the fourth quarter and SEK 21.2 million for the full year 2019 (19.3).

TSEK	Oct - Dec 2019			Oct - Dec 2018		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	151,533	28,767	180,300	107,588	17,881	125,469
Inter-segment transactions	-21,828	-476	-22,304	-195	-851	-1,046
<b>Total Net Sales</b>	<b>129,705</b>	<b>28,291</b>	<b>157,996</b>	<b>107,393</b>	<b>17,030</b>	<b>124,423</b>
<b>EBITDA</b>	<b>22,661</b>	<b>4,411</b>	<b>27,072</b>	<b>15,046</b>	<b>1,658</b>	<b>16,704</b>
Depreciation and amortization	-5,092	-8,083	-13,175	-2,960	-6,453	-9,413
<b>Operating Profit</b>	<b>17,569</b>	<b>-3,672</b>	<b>13,897</b>	<b>12,086</b>	<b>-4,795</b>	<b>7,291</b>
Net financial items			-1,017			649
<b>Profit before tax</b>			<b>12,880</b>			<b>7,940</b>
Tax			5,532			-129
<b>Profit for the period</b>			<b>18,412</b>			<b>7,811</b>

TSEK	Jan - Dec 2019			Jan - Dec 2018		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	344,882	96,581	441,463	316,669	74,439	391,108
Inter-segment transactions	-33,421	-1,717	-35,138	-6,310	-4,444	-10,754
<b>Total Net Sales</b>	<b>311,461</b>	<b>94,864</b>	<b>406,325</b>	<b>310,359</b>	<b>69,995</b>	<b>380,354</b>
<b>EBITDA</b>	<b>21,184</b>	<b>7,383</b>	<b>28,567</b>	<b>19,339</b>	<b>18,224</b>	<b>37,563</b>
Depreciation and amortization	-19,838	-33,121	-52,959	-11,049	-25,925	-36,974
<b>Operating Profit</b>	<b>1,346</b>	<b>-25,738</b>	<b>-24,392</b>	<b>8,290</b>	<b>-7,701</b>	<b>589</b>
Net financial items			-3,137			-1,685
<b>Profit before tax</b>			<b>-27,529</b>			<b>-1,096</b>
Tax			12,418			-1,376
<b>Profit for the period</b>			<b>-15,111</b>			<b>-2,472</b>

## Cash flow and financial position



### Cash and available cash

Cash and cash equivalents at the end of the period totalled SEK 52.4 million (76.6). At the end of the period free available cash amounted to SEK 84.9 million (153.2) taking into account the total amount of available credit facilities. In 2019 we have seen an increase in working capital needs in our System Sales business, due to large projects that are currently being executed, such as the Australian In vehicle solution and the Dutch Rural Roads project. With the partial deliveries in Q4 and Q1 2020, we would expect payments to come in during the first and second quarter of 2020.

The group's credit facility agreements are subject to covenant clauses, whereby the group is required to meet certain financial ratios. Sensys Gatso did not fulfil the financial ratio as required in the contract for the credit facility with one of our banks to the amount of SEK 15 Million. The bank has provided Sensys Gatso with a waiver with regards to the covenants. By receiving this waiver Sensys Gatso has fulfilled its obligations towards the bank.

The group has processes in place to monitor the bank covenants and cash flow and is in control of cash requirements. We are in discussion with our bank on the terms of the bank covenants and the credit facility to better fit our business model going forward.

To facilitate further growth, Sensys Gatso and Rabobank intend to increase the current total facilities granted by the Rabobank with additional SEK 50 million. The facility increase will be provided to Sensys Gatso upon request, and is conditional on meeting agreed covenants, with steps of SEK 12.5 million each 6 months. The expectation is that parties will agree to the covenants and terms in March 2020. The additional facility is conditional upon final approval of the Rabobank credit committee.

### Cash flow from operating activities

During the quarter Sensys Gatso had a positive cash flow from operating activities of SEK 43.3 million (39.0). In 2019 the operating cash flow was negative SEK 3.7 million (49.3).

### Cash flow from investing activities

The investments in fixed assets for the quarter amounted to SEK 21.2 million (21.3).

## Other information

### Significant events during the quarter

- 1 Oct Sensys Gatso receives three-year TraaS contract, valued at SEK 30 Million for school zone speed enforcement in Buffalo, New York
- 9 Oct Sensys Gatso receives five-year TraaS contract, valued at SEK 20 Million for new speed enforcement program in LeClaire, Iowa
- 6 Nov Sensys Gatso receives five-year TraaS contract, valued at SEK 6 Million for new speed enforcement program in Independence, Iowa, USA
- 14 Nov Nomination committee appointed for Annual General Meeting 2020
- 27 Nov Sensys Gatso delivers final batch in-vehicle enforcement systems to Saudi Arabia
- 11 Dec Sensys Gatso Australia received technical and legislative approval for the Gatso T-Series Mobile Digital Road Safety Camera (MDRSC)
- 12 Dec Sensys Gatso Australia expand TRaffic Enforcement as a Service contract by SEK 55 million
- 12 Dec Sensys Gatso Australia receives purchase order worth SEK 52 million
- 19 Dec Sensys Gatso receives TRaaS order from Australia worth SEK 60 million

### Significant events after the quarter

- 7 Jan Sensys Gatso receives five-year TRaaS contract, valued at SEK 28 Million, for a new school zone speed enforcement program from St. Mary's, Georgia, USA
- 7 Feb Sensys Gatso expects to receive notice of award in Costa Rica, Central America, valued at SEK 192 Million
- 12 Feb Sensys Gatso confirms notice of award in Costa Rica, Central America, valued at SEK 192 Million

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

## Related party transactions

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

In 2015 the company acquired Gatso Beheer BV. The former owners of Gatso Beheer BV have provided the company with a vendor loan to the amount of MEUR 6.84. As part of the new share issue in 2017, a part of the vendor loan installment of 31 July 2018 was converted into shares. In 2018 the remaining part of the first installment was converted into 15,110,738 shares. Sensys Gatso Group AB has repaid the second installment on the Vendor Loan as per the agreement.

### Vendor loan (nominal value in TEUR)

Installment dates	Balance December 31, 2017	Conversion 2018	Repayment 2019	Balance June 30, 2019
31/07/2018	1,645	-1,645	0	0
31/07/2019	1,000		-1,000	0
31/07/2020	1,000			1,000
31/07/2021	1,000			1,000
31/07/2022	840			840
	<b>5,485</b>	<b>-1,645</b>	<b>-1,000</b>	<b>2,840</b>

## 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 2018 Annual Report, available at [www.sensysgatso.com](http://www.sensysgatso.com).

## AGM 2020

The AGM for 2020 will take place on Tuesday May 12, 2020, 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.

## Dividend

No dividend is proposed for the financial year 2019.

The dividend policy is that generated net profit will be re-invested in the company to finance the growth plan. When the growth plan is fully financed, dividend will materialize after assessment of the company's financial position, organic growth opportunities, investments, acquisition opportunities and cash-flow.

## Audit

This report has not been reviewed by the company's auditor.

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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 20 February 2020.*



## Group figures

### Consolidated statement of comprehensive income

	Oct - Dec 2019	Oct - Dec 2018	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
<b>TSEK</b>					
<b>Net sales</b>	157,997	124,423	406,325	380,349	293,094
Cost of goods sold	-103,374	-73,546	-261,278	-218,834	-176,910
<b>Gross profit</b>	<b>54,623</b>	<b>50,877</b>	<b>145,047</b>	<b>161,515</b>	<b>116,184</b>
Selling expenses	-20,217	-19,908	-81,157	-75,098	-83,528
Administrative expenses	-9,175	-11,386	-41,067	-38,579	-40,266
Development expenses	-11,588	-12,146	-47,849	-46,176	-47,105
Other operating expenses/income	254	-146	634	-1,073	-49
<b>Operating profit</b>	<b>13,897</b>	<b>7,291</b>	<b>-24,392</b>	<b>589</b>	<b>-54,764</b>
Net financial items	-1,017	649	-3,137	-1,685	-10,552
<b>Profit before tax</b>	<b>12,880</b>	<b>7,940</b>	<b>-27,529</b>	<b>-1,096</b>	<b>-65,316</b>
Tax	5,532	-129	12,418	-1,376	3,470
<b>Profit for the period</b>	<b>18,412</b>	<b>7,811</b>	<b>-15,111</b>	<b>-2,472</b>	<b>-61,846</b>
Profit is attributable to owners of Sensys Gatso Group AB	17,991	8,189	-13,386	-1,897	-58,067
Profit is attributable to non- controlling interest	421	-378	-1,725	-575	-3,779
	<b>18,412</b>	<b>7,811</b>	<b>-15,111</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	-10,638	947	9,154	18,587	-3,041
<b>Total other comprehensive income for the period, net after tax</b>	<b>-10,638</b>	<b>947</b>	<b>9,154</b>	<b>18,587</b>	<b>-3,041</b>
<b>Total comprehensive income for the period</b>	<b>7,774</b>	<b>8,758</b>	<b>-5,957</b>	<b>16,115</b>	<b>-64,887</b>
Number of shares (thousands)	860,024	860,024	860,024	860,024	844,914
Earnings per share (SEK)	0.02	0.01	-0.02	0.00	-0.07

## Consolidated balance sheet

TSEK	31 Dec 2019	31 Dec 2018	31 Dec 2017
Assets			
Goodwill	257,164	251,257	239,166
Customer contracts and relations	10,338	24,076	35,459
Brand	12,738	14,654	16,191
Product and software development	29,582	34,399	38,879
Property, plant and equipment	45,253	8,666	7,245
Fixed assets in operations	56,110	33,340	27,856
Deferred tax assets	45,315	34,003	38,439
Other non-current assets	330	351	361
Trade and other receivables	76,137	56,935	71,322
Inventories and work in progress	96,939	71,864	62,510
Other current assets	26,074	25,511	27,910
Cash and bank balances	52,373	76,607	58,931
<b>Total assets</b>	<b>708,353</b>	<b>631,663</b>	<b>624,269</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	448,854	453,689	420,072
Long-term liabilities	23,110	0	252
Long-term liabilities towards shareholders	39,387	48,692	55,908
Provision	10,032	6,907	7,725
Deferred tax liabilities	9,753	16,824	23,226
Short-term liabilities	56,429	0	10,200
Short-term liabilities towards shareholders	10,449	10,199	15,993
Trade and other payables	47,955	27,996	30,695
Other current interest-free liabilities	62,384	67,356	60,198
<b>Total shareholders' equity and liabilities</b>	<b>708,353</b>	<b>631,663</b>	<b>624,269</b>

## Consolidated statement of changes in equity

	Oct - Dec 2019	Oct - Dec 2018	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
<b>TSEK</b>					
<b>Beginning of period</b>	<b>439,973</b>	<b>444,931</b>	<b>453,689</b>	<b>420,072</b>	<b>386,623</b>
New share issue, net	0	0	0	17,502	98,336
Other movements	1,107		1,107		
Net profit for the period	17,991	8,189	-13,371	-1,897	-58,067
Minority interest in subsidiaries	421	-378	-1,725	-575	-3,779
Other comprehensive income	-10,638	947	9,154	18,587	-3,041
<b>Total comprehensive income for the period</b>	<b>8,881</b>	<b>8,758</b>	<b>-4,835</b>	<b>16,115</b>	<b>-64,887</b>
<b>End of period</b>	<b>448,854</b>	<b>453,689</b>	<b>448,854</b>	<b>453,689</b>	<b>420,072</b>

## Cash flow statement

	Oct - Dec 2019	Oct - Dec 2018	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
<b>TSEK</b>					
<b>Operating profit</b>	<b>13,897</b>	<b>7,291</b>	<b>-24,392</b>	<b>589</b>	<b>-54,764</b>
Items with no effect on cash flow	17,147	9,068	57,561	34,457	40,425
Financial items	2,516	1,744	-1,817	-486	-106
Tax paid	1,451	-1,025	425	-310	766
<b>Funds contributing from operating activities</b>	<b>35,011</b>	<b>17,078</b>	<b>31,777</b>	<b>34,249</b>	<b>-13,679</b>
Change in working capital	8,384	21,957	-35,517	15,058	-25,571
<b>Cash flow from operating activities</b>	<b>43,395</b>	<b>39,035</b>	<b>-3,740</b>	<b>49,307</b>	<b>-39,250</b>
Cash flow from investing activities	-21,202	-8,541	-45,005	-21,314	-13,003
	<b>22,193</b>	<b>30,494</b>	<b>-48,745</b>	<b>27,993</b>	<b>-52,253</b>
<b>Financing activities</b>					
New share issue	0	0	0	17,502	87,199
New loan	0	0	0	0	0
Repayment of loan	-4,032	-152	-11,689	-266	-18,896
Repayment/usage of credit facilities	-139	-16,128	46,090	-10,200	10,049
Repayment of loan to shareholders	0	0	-10,199	-17,502	0
<b>Change in cash and bank balances</b>	<b>18,022</b>	<b>14,214</b>	<b>-24,543</b>	<b>17,527</b>	<b>26,099</b>
Liquid funds at the beginning of the period	33,983	62,388	76,607	58,931	31,643
Translation differences in liquid funds	368	5	309	149	1,189
<b>Closing cash and cash equivalents</b>	<b>52,373</b>	<b>76,607</b>	<b>52,373</b>	<b>76,607</b>	<b>58,931</b>

## Parent company

### Statement of comprehensive income

	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec	Jan - Dec
TSEK	2019	2018	2019	2018	2017
<b>Other sales</b>	5,159	2,768	7,981	6,040	6,275
Cost of goods sold		0	0	0	0
<b>Gross profit</b>	5,159	2,768	7,981	6,040	6,275
Selling expenses	0	0	0	0	0
Administrative expenses	-6,437	-3,950	-13,665	-13,881	-18,062
Development expenses	0	0	0	0	0
Other operating expenses/income	0	0	-24	0	-10
<b>Operating profit</b>	<b>-1,278</b>	<b>-1,182</b>	<b>-5,708</b>	<b>-7,841</b>	<b>-11,797</b>
Net financial items	11,630	8,876	10,883	7,068	-2,645
<b>Profit before tax</b>	<b>10,352</b>	<b>7,694</b>	<b>5,175</b>	<b>-773</b>	<b>-14,442</b>
Tax	-1,121	0	-1,121	-1,343	-2,984
<b>Profit for the period/Comprehensive income for the period</b>	<b>9,231</b>	<b>7,694</b>	<b>4,054</b>	<b>-2,116</b>	<b>-17,426</b>

## Balance sheet

	31 Dec	31 Dec	31 Dec
TSEK	2019	2018	2017
Product and software development	6,896	3,824	0
Shares in subsidiaries	413,952	413,952	413,952
Deferred tax assets	18,640	19,761	21,104
Receivables from Group	43,787	42,835	30,000
Other current assets	1,027	679	306
Cash and bank balances	12,866	21,389	37,404
<b>Total assets</b>	<b>497,168</b>	<b>502,440</b>	<b>502,766</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	465,146	460,790	445,043
Long-term liabilities	0	0	0
Long-term liabilities towards shareholders	18,489	28,141	36,209
Short-term liabilities	0	0	0
Short-term liabilities towards shareholder	10,449	10,199	15,993
Trade and other payables	1,412	628	0
Trade and other payables from Group	0	81	450
Other current interest-free liabilities	1,672	2,601	5,071
<b>Total shareholders' equity and liabilities</b>	<b>497,168</b>	<b>502,440</b>	<b>502,766</b>

## Statement of changes in shareholders equity

	Oct - Dec 2019	Oct - Dec 2018	Jan - Dec 2019	Jan - Dec 2018	Jan - Dec 2017
<b>TSEK</b>					
<b>Beginning of period</b>	<b>455,613</b>	<b>452,735</b>	<b>460,790</b>	<b>445,043</b>	<b>364,130</b>
New share issue, net	0	0	0	17,502	98,337
Profit for the period/Comprehensive income for the period	9,231	7,694	4,054	-2,116	-17,424
Stock related remuneration	302	361	302	361	0
<b>End of period</b>	<b>465,146</b>	<b>460,790</b>	<b>465,146</b>	<b>460,790</b>	<b>445,043</b>

## Quarterly data

### Consolidated statement of income, quarterly data

	2019				2018			2017
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Net sales</b>	<b>157,997</b>	<b>73,028</b>	<b>96,863</b>	<b>78,440</b>	<b>124,423</b>	<b>95,688</b>	<b>88,557</b>	<b>71,681</b>
Cost of goods sold	-103,374	-48,272	-60,360	-49,272	-73,546	-49,006	-49,587	-46,695
<b>Gross profit</b>	<b>54,623</b>	<b>24,756</b>	<b>36,503</b>	<b>29,168</b>	<b>50,877</b>	<b>46,682</b>	<b>38,970</b>	<b>24,986</b>
Costs	-40,726	-42,601	-44,751	-41,346	-43,586	-37,896	-39,584	-39,860
<b>Operating profit</b>	<b>13,897</b>	<b>-17,845</b>	<b>-8,248</b>	<b>-12,178</b>	<b>7,291</b>	<b>8,786</b>	<b>-614</b>	<b>-14,874</b>
Net financial items	-1,017	-63	-1,594	-465	649	-1,843	2,691	-3,182
<b>Res Profit before tax</b>	<b>12,880</b>	<b>-17,908</b>	<b>-9,842</b>	<b>-12,643</b>	<b>7,940</b>	<b>6,943</b>	<b>2,077</b>	<b>-18,056</b>
Tax	5,532	2,238	1,594	3,053	-129	-2,854	-3,375	4,982
<b>Profit for the period</b>	<b>18,412</b>	<b>-15,670</b>	<b>-8,248</b>	<b>-9,590</b>	<b>7,811</b>	<b>4,089</b>	<b>-1,298</b>	<b>-13,074</b>

## Key indicators and other information, quarterly basis

TSEK	2019				2018			2017
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating margin (%) 1)	0.09	Neg	Neg	Neg	5.9	9.18	Neg	Neg
Gross margin (%) 2)	34.57	33.90	37.69	37.19	40.89	48.79	44.01	34.86
Profit margin (%) 3)	0.12	Neg	Neg	Neg	6.28	4.27	Neg	Neg
Equity per share (SEK) 4)5)	0.52	0.51	0.52	0.53	0.53	0.52	0.50	0.50
Cash flow per share (SEK) 6)	0.05	-0.03	0.00	-0.02	0.05	0.01	-0.01	0.00
Number of employees 7)	252	255	231	210	195	188	178	170
No. of outstanding shares (thousands)	860,024	860,024	860,024	860,024	860,024	860,024	844,914	844,914
Equity/assets ratio (%)	63.37	61.41	66.14	66.24	71.82	72.90	70.25	66.78
Order intake (SEK thousands)	241,194	79,314	141,457	99,975	143,941	100,689	182,856	52,798

IFRS 16 has an impact on comparability of 2019 numbers to the reported 2018 numbers. We refer to the disclosure on page 23.

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.

#### 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, generate 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.

#### Comparability of figures

As of 1 January 2019 IFRS16 has been implemented, impacting comparability of our financial performance. With IFRS16 the discounted value of future right of use of leased assets is recorded on the balance sheet as an asset with a corresponding lease liability. The asset is depreciated over time in accordance with the remaining lease period and the redemption of the liability is done through lease payments. The impact of discounting is recorded as an interest expense. Sensys Gatso Groups balance, profit and loss and cash flow is impacted by IFRS16 as follows:

TSEK (as per December 31, 2019)	Including IFRS 16	IFRS 16	Excluding IFRS 16
<b>Balance</b>			
Property, plant and equipment	45,253	-32,735	12,518
Long-term liabilities	23,110	-23,110	0
Short-term liabilities	56,429	-10,339	46,090

TSEK (as per December 31, 2019)	Including IFRS 16	IFRS 16	Excluding IFRS 16
<b>EBITDA</b>	<b>28,567</b>	<b>-11,294</b>	<b>17,273</b>
Depreciation tangible and intangible fixed assets	-52,959	10,082	-42,877
<b>Operating profit (EBIT)</b>	<b>-24,392</b>	<b>-1,212</b>	<b>-25,604</b>
Net financial items	-3,137	1,606	-1,531
<b>Profit before tax</b>	<b>-27,529</b>	<b>394</b>	<b>-27,135</b>

TSEK (as per December 31, 2019)	Including IFRS 16	IFRS 16	Excluding IFRS 16
<b>Cash flow</b>			
Cash flow from operating activities	-3,740	-11,294	-15,034
Cash flow from investing activities	-45,005	1,440	-43,565
Cash flow from finance activities	24,202	11,689	35,891

### 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 occur, 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 24 of the 2018 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 2018, with the exception of the adoption of the new standard IFRS 16.

In the first quarter the subsidiary to the parent company, Sensys Gatso Sweden AB, has made a group contribution to the amount of SEK 9.0 million, which has been adjusted in the comparison 2018 numbers in this report. This has a positive impact on the parent company revenue and equity for 2018 of SEK 9.0 million.

**New standards, amendments and interpretations applicable from January 1, 2019**

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Sensys Gatso's has selected the modified retrospective approach as method for first time adoption of this new accounting standard. 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. The implementation of IFRS 16 has an impact on the comparability of the figures in 2019 with previous years.

For calculating the IFRS16 value for the Right of Use Asset and corresponding Lease Liabilities we have excluded leases with a remaining period shorter than 12 months and leases with a total value smaller than SEK 50,000. The Incremental Borrowing Rate used to calculate the value of the Right of Use Asset and the corresponding Lease Liability is based on the category of lease asset, the duration of the contract and the region.

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 2018, 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 20 February at 9 am CET Sensys Gatso Group invites to a presentation/audiocast. The company's CEO Ivo Mönnink and CFO Simon Mulder will present the financial results in English.

The presentation/audiocast can be joined online or via telephone and will be available on the company's webpage <https://www.sensysgatso.com>

Link to the presentation/audiocast:

<https://tv.streamfabriken.com/sensys-gatso-group-q4-2019>

Call-in details:

Sweden +46 8 505 583 54

UK: +44 333 300 92 66

US: +1 8 335 268 347

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

## Financial calendar

Annual Report 2019	14-17 April 2020
Interim Report January - March 2020	30 April 2020
AGM	12 May 2020
Interim Report April - June 2020	20 August 2020
Interim Report July - September 2020	26 November 2020
Year-End Report January - December 2020	25 February 2021

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