

Sensys Gatso Group AB

Interim Report

January - March 2019



MSEK	January - March	January - March
	2019	2018
Net Sales	78.4	71.7
Order intake	100.0	52.8
Operating profit (EBIT)	-12.2	-14.9
Operating profit (EBITDA)	-0.1	-6.0
Total Comprehensive income	-2.1	-1.7
Earnings per share, before and after dilution (SEK)	-0.01	-0.02
Cash flow from operating activities	-20.6	3.5

Comments from the CEO

Good order intake for the quarter

We had a good order intake quarter of SEK 100 (53) million, which is almost 90 percent higher than the order intake in Q1 2018. Major contributors to this order intake were a large in-vehicle order from our key customer in Australia and extensions of Managed Services contracts with existing customers in the USA. The recurring nature of the total order value amounts to 36 percent.

Traffic Enforcement as a Service

In our 2018 annual report we emphasized our strategic focus on recurring revenue. To create a better understanding for our customers we introduced Traffic Enforcement as a Service. With TRaaS, as we call it, we will bring our new FLUX platform for hardware and our existing software solutions PULS and Xilium together. TRaaS provides complete flexible service solutions for our customers, all around the world.

Delayed deliveries due to fire at supplier

We closed the financial year 2018 with a high total order intake value of SEK 480 million. In December 2018 a fire at our supplier Prodrive resulted in delays in deliveries of our T-series products. Due to the fire, the sales level of SEK 78 (72) million is lower than we would have seen with supply at normal delivery timelines, but 8% higher than the same quarter last year.

Supply is picking up in Q2

The situation at this supplier is now in control and as of April the supply is picking up again. We expect that the negative impact of the delayed deliveries on our revenues in the first quarter, will mostly be recovered in the second quarter.

Oklahoma learning curve

A major breakthrough for our Managed Services business in 2018 was the starting up of a car insurance enforcement program in the state of Oklahoma, USA. Being a completely new program for the US market, which involves multiple third party stakeholders, the Oklahoma project is going through a learning curve, resulting in some delays. We still expect the program to deliver the announced full year revenue of SEK 17 million. The impact of Oklahoma is the main reason why our Managed Services sales in the quarter of SEK 18 (11) million is below our expectations, but 60% higher than last years sales in the segment.

Available cash and financial position

Our available cash has decreased from SEK 153 million to SEK 127 million. This is mainly due to prepayments received in 2018 on various projects, which have been delivered in part in the first quarter. Simultaneously we have build up contract assets, work in progress, relating to projects, impacting our working capital negative. Due to adaptation of the new accounting standard IFRS 16 we have seen a decrease in our Equity/Assets ratio from 71.8 at the end of 2018 to 66.2. Our financial position remains solid.

Outlook

With our new Traffic Enforcement as a Service proposition, we strengthen our position to establish long term customer relationships and to increase our recurring revenue potential going forward. Due to the recovery program at our supplier Prodrive we anticipate no impact on the full year deliveries. Considering our good order intake we feel optimistic about the future.

Ivo Mönnink
CEO, Sensys Gatso Group

Financial summary

Key indicators

	Jan - Mar	Jan - Mar	YTD	Full year	Full year
TSEK	2019	2018	2019	2018	2017
Net sales	78,440	71,681	78,440	380,349	293,094
Order intake	99,975	52,798	99,975	280,348	280,348
Gross margin (%)	37.19	34.86	37.19	42.46	39.64
Operating profit (EBIT)	-12,178	-14,874	-12,178	578	-54,764
Operating margin (EBIT %)	Neg	Neg	Neg	0	Neg
Operating profit (EBITDA)	-116	-5,966	-116	39,478	-15,864
Profit for the period	-9,590	-13,074	-9,590	-2,472	-61,846
Earnings per share (SEK)	-0.01	-0.02	-0.01	0.00	-0.07
Cash flow from operations	-20,567	3,527	-20,567	49,296	-39,250

IFRS 16 has an impact on comparability of 2019 numbers to the reported 2018 numbers. We refer to the disclosure on page 21.

EBITDA

	Jan - Mar	Jan - Mar	YTD	Full year	Full year
TSEK	2019	2018	2019	2018	2017
Operating profit (EBIT)	-12,178	-14,874	-12,178	578	-54,764
Depreciation tangible and intangible fixed assets	6,239	3,590	6,239	17,175	17,175
Amortization of acquired intangible assets	5,823	5,318	5,823	21,725	21,725
Operating profit (EBITDA)	-116	-5,966	-116	39,478	-15,864

Financial results Group



January – March 2019

Order intake during the first quarter totalled SEK 100.0 million compared to SEK 52.8 million, excluding SEK 122.0 million in procurement awards, in the same quarter last year. The order intake for the quarter mainly relates to orders received from our customers in Australia and USA, amongst other smaller repeat orders.

Net sales in the first quarter, amounted to SEK 78.4 million (71.7) and consisted primarily of deliveries and services to customers in Europe and various smaller orders from existing customers globally. The segment System Sales contributed SEK 61.5 million (62.2) and Managed Services contributed SEK 17.6 million (10.6) to the net sales of the first quarter including inter-segment transactions.

	Jan - Mar	Full year	Full year
TSEK	2019	2018	2017
Europe	47,928	172,219	179,012
Americas	17,034	70,362	55,072
APAC and MEA	13,478	137,774	59,010
Total Sales	78,440	380,354	293,094

Of the total sales in the quarter approximately 46 percent relates to recurring revenues based on Service & Maintenance, License and Managed Services revenue, compared to 37 percent for the full year 2018. The increase is due to a relative lower System Sales in the period. To support our focus on recurring revenue, we have renamed all our recurring revenues categories to TRaaS, see table below.

	Jan - Mar 2019	Jan - Mar 2018	Full year 2018	Full year 2017
TSEK				
System sales	42,381	43,621	234,902	163,418
TRaaS: Service & Maintenance	17,870	16,411	67,738	68,050
TRaaS: Licenses	1,067	1,007	7,841	6,274
TRaaS: Managed Services	17,122	10,642	69,873	55,352
Total Sales	78,440	71,681	380,354	293,094

The gross margin for the quarter was 37.2 percent (34.9). The increase in gross margin compared to the first quarter 2018 is due to the mix in sales between the System Sales and Managed Services segments.

The operating expenses totalled SEK 41.3 million (39.9) 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 quarter totalled SEK -12.1 million (-14.9) and the profit after taxation totalled SEK -9.5 million (-13.1).

Investments

During the first quarter 2019 the investments in fixed assets amounted to SEK 4.8 million (4.5) of which SEK 1.5 million (0.3) relates to intangible fixed assets. 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 38.6 million.

Personnel

The average number of full-time employees was 178 people (153). The number of employees at the end of the year was 210 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 and project temps in Australia relating to the execution of the various projects that were announced in 2018.

Financial position

The Group's equity at the end of the period totalled SEK 451.6 million (418.4), producing an equity/assets ratio of 66.2 percent (66.8). 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 9.3 million and in the Long-term liabilities to the amount of SEK 29.3 million.

Net interest-bearing debt amounted to SEK 49.6 million (28.1). The increase of the long-term liabilities is due to the implementation of IFRS 16. At the year end of 2018 the Net interest-bearing debt amounted negative SEK 17.7 million due to prepayments from customers, lower accounts payables and long-term liabilities.

TSEK	31 Mar 2019	31 Mar 2018	31 Dec 2018	31 Dec 2017
Short-term liabilities	29,897	35,710	10,199	26,193
Long-term liabilities	78,769	58,955	48,692	56,160
Cash and bank	-59,067	-66,546	-76,607	-58,931
Net Interest-bearing debt	49,599	28,119	-17,716	23,422

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 860,024,407 (844,913,669).

The table below shows the five largest shareholders in the Company as per end of March 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)

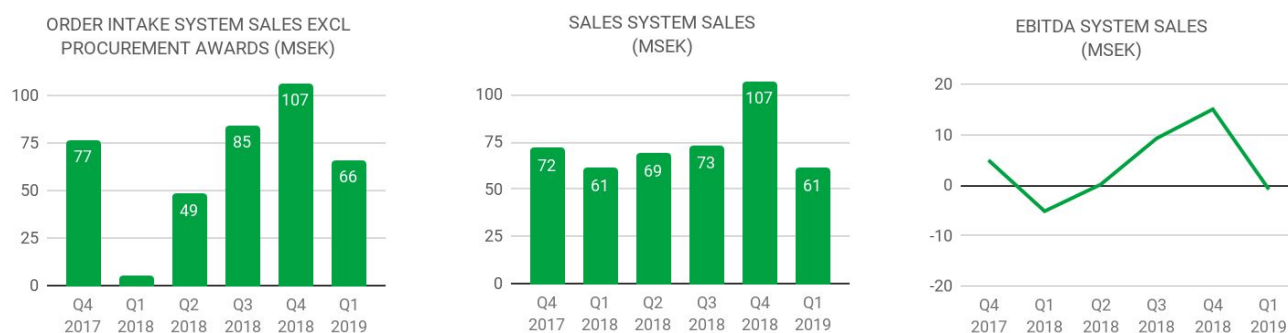
#	Shareholder	Number of shares	Proportion of share capital/ Votes%
1	BNP PARIBAS SEC SERVICES PARIS	164,247,615	19.1
2	FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	36,598,136	4.3
3	WALL, PER	23,000,000	2.7
4	BERGSTRAND, INGER	20,659,837	2.4
5	NORDNET PENSIONS FÖRSÄKRING AB	11,500,958	1.3

#	Concentration	Proportion of share capital/ Votes%
10	Largest holders	34.7
20	Largest holders	38.7
50	Largest holders	45.7
100	Largest holders	51.2

#	Country	Proportion of share capital/ Votes%
1	Sweden	74.6
2	Netherlands	19.1
3	United States	1.8
4	Switzerland	1.1
5	Denmark	1.0
6	Other	2.4
		100.0

Business Segments

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

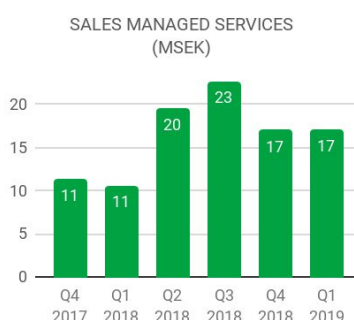
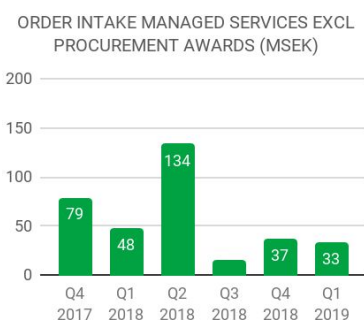


System Sales

The order intake for the segment Systems Sales amounted to SEK 70.6 million (SEK 5.0 million excluding procurement awards) in the quarter. The order intake mainly relates to orders from our customers in Australia and smaller repeat orders from our existing customers.

Systems sales amounted to SEK 61.4 million (61.0) in the quarter. 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 the first quarter relates mainly to systems sales in the regions Europe and Australia.

The segment has incurred an EBITDA of negative 0.8 million (-5.1) in the first quarter.



Managed Services

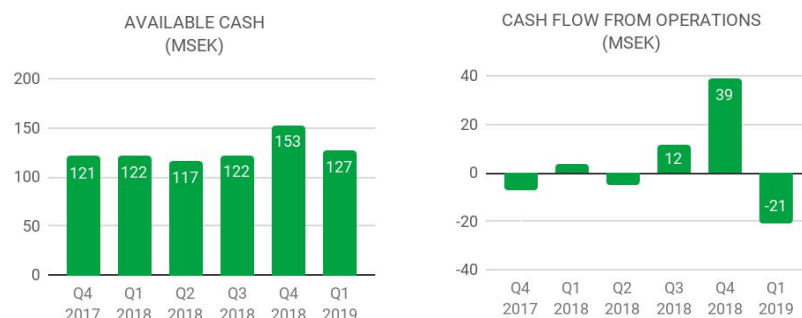
During the quarter we have been awarded with several contract extension worth SEK 33.5 million with contract periods between 1-3 years. After the period the segment has received a contract extension worth SEK 21.5 million over a five year contract period.

Managed Services sales amounted to SEK 17.6 million (10.6) in the quarter. The increase in sales is due to reactivation of the Iowa programs and the startup of new programs announced during the year. The segment has incurred an EBITDA of SEK 0.7 million (-0.8).

The segment Managed Services also includes software development costs relating Managed Services activities, such as PULS and Xilium, and the onboarding of several new programs.

TSEK	Jan - Mar 2019			Jan - Mar 2018		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	61,498	17,584	79,082	62,210	10,642	72,852
Inter-segment transactions	-180	-462	-642	-1,171	0	-1,171
Total Net Sales	61,318	17,122	78,440	61,039	10,642	71,681
EBITDA	-828	712	-116	-5,140	-826	-5,966
Depreciation and amortization	-4,885	-7,177	-12,062	-3,480	-5,428	-8,908
Operating Profit	-5,713	-6,465	-12,178	-8,620	-6,254	-14,874
Net financial items			-465			-3,182
Profit before tax			-12,643			-18,056
Tax			3,053			4,982
Profit for the period			-9,590			-13,074

Cash flow and financial position



Cash and available cash

Cash and cash equivalents at the end of the period totalled SEK 59.1 million (66.5). At the end of the period free available cash amounted SEK 127.1 million (121.8) 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.

Cash flow from operating activities

During the quarter Sensys Gatso has had a negative cash flow from operating activities of SEK 20.6 million (3.5) in the first quarter of 2018. This is mainly due to prepayments received in 2018 on various projects, which have been delivered in part in the first quarter. Simultaneously we have build up contract assets (work in progress), relating to projects, this has resulted in higher working capital assets.

Cash flow from investing activities

The investments in fixed assets amounted to SEK 4.8 million (4.5) in the quarter.

Other information

Significant events during the quarter

- 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
- 22 Mar Sensys Gatso Australia receives contract extension worth SEK 46 million

Significant events after the quarter

- 4 Apr Sensys Gatso Australia receives order for maintenance services worth SEK 12 million
- 16 Apr Sensys Gatso receives five-year contract extension in Albany, New York worth SEK 21.5 million

A list of Sensys Gatso's press releases can be found on www.sensysgatso.com

Related party transactions

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/ 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 2018 Annual Report, available at www.sensysgatso.com.

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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 25 April 2019.

Group figures

Consolidated statement of comprehensive income

	Jan - Mar 2019	Jan - Mar 2018	YTD 2019	Full year 2018	Full year 2017
TSEK					
Net sales	78,440	71,681	78,440	380,349	293,094
Cost of goods sold	-49,272	-46,695	-49,272	-218,834	-176,910
Gross profit	29,168	24,986	29,168	161,515	116,184
Selling expenses	-18,933	-18,467	-18,933	-75,098	-83,528
Administrative expenses	-9,331	-9,682	-9,331	-38,581	-40,266
Development expenses	-13,930	-11,446	-13,930	-46,176	-47,105
Other operating expenses/income	848	-265	848	-1,082	-49
Operating profit	-12,178	-14,874	-12,178	578	-54,764
Net financial items	-465	-3,182	-465	-1,675	-10,552
Profit before tax	-12,643	-18,056	-12,643	-1,097	-65,316
Tax	3,053	4,982	3,053	-1,375	3,470
Profit for the period	-9,590	-13,074	-9,590	-2,472	-61,846
Profit is attributable to owners of Sensys Gatso Group AB	-8,837	-12,199	-8,837	-1,897	-58,067
Profit is attributable to non- controlling interest	-753	-875	-753	-575	-3,779
	-9,590	-13,074	-9,590	-2,472	-61,846
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Translation differences	7,537	11,390	7,537	18,587	-3,041
Total other comprehensive income for the period, net after tax	7,537	11,390	7,537	18,587	-3,041
Total comprehensive income for the period	-2,053	-1,684	-2,053	16,115	-64,887
Number of shares (thousands)	860,024	844,914	860,024	860,024	657,155
Earnings per share (SEK)	-0.01	-0.02	-0.01	0.00	-0.07

Consolidated balance sheet

TSEK	31 Mar 2019	31 Mar 2018	31 Dec 2018	31 Dec 2017
Assets				
Goodwill	256,165	248,076	251,257	239,166
Customer contracts and relations	21,265	32,628	24,076	35,459
Brand	14,414	16,156	14,654	16,191
Intangible non-current assets	33,752	38,236	34,399	38,879
Property, plant and equipment	47,393	9,271	8,666	7,245
Fixed assets in operations	36,059	27,888	33,340	27,856
Deferred tax assets	39,411	40,695	34,003	38,439
Other non-current assets	349	371	351	361
Trade and other receivables	61,755	49,420	56,935	71,322
Inventories and work in progress	56,637	63,327	71,864	63,615
Other current assets	55,546	33,885	25,511	26,805
Cash and bank balances	59,067	66,546	76,607	58,931
Total assets	681,813	626,499	631,663	624,269
Shareholders' equity and liabilities				
Shareholders' equity	451,636	418,388	453,689	420,072
Long-term liabilities	29,275	221	0	252
Long-term liabilities towards shareholders	49,494	58,734	48,692	55,908
Provision	7,408	8,727	6,907	7,725
Deferred tax liabilities	15,305	21,740	16,824	23,226
Short-term liabilities	19,514	18,934	0	10,200
Short-term liabilities towards shareholders	10,383	16,776	10,199	15,993
Trade and other payables	22,029	22,086	27,996	30,695
Other current interest-free liabilities	76,769	60,893	67,356	60,198
Total shareholders' equity and liabilities	681,813	626,499	631,663	624,269

Consolidated statement of changes in equity

	Jan - Mar 2019	Jan - Mar 2018	YTD 2019	Full year 2018	Full year 2017
TSEK					
Beginning of period	453,689	420,072	453,689	420,072	386,623
New share issue, net	0	0	0	17,502	98,336
Net profit for the period	-8,837	-12,199	-8,837	-1,897	-58,067
Minority interest in subsidiaries	-753	-875	-753	-575	-3,779
Other comprehensive income	7,537	11,390	7,537	18,587	-3,041
Total comprehensive income for the period	-2,053	-1,684	-2,053	16,115	-64,887
End of period	451,636	418,388	451,636	453,689	420,072

Cash flow statement

	Jan - Mar 2019	Jan - Mar 2018	YTD 2019	Full year 2018	Full year 2017
TSEK	2019	2018	2019	2018	2017
Operating profit	-12,178	-14,874	-12,178	578	-54,764
Items with no effect on cash flow	12,827	7,620	12,827	34,457	40,425
Financial items	-1,155	-2,789	-1,155	-486	-106
Tax paid	-213	-419	-213	-310	766
Funds contributing from operating activities	-719	-10,462	-719	-13,680	-13,679
Change in working capital	-19,848	13,989	-19,848	15,058	-25,571
Cash flow from operating activities	-20,567	3,527	-20,567	49,296	-39,250
Cash flow from investing activities	-4,757	-4,507	-4,757	-21,314	-13,003
	-25,324	-980	-25,324	27,982	-52,253
Financing activities					
New share issue	0	0	0	17,502	87,199
New loan	0	0	0	0	0
Repayment of loan	-2,260	-35	-2,260	-266	-18,896
Repayment/usage of credit facilities	10,195	8,734	10,195	-10,200	10,049
Repayment of loan to shareholders	0	0	0	-17,502	0
Change in cash and bank balances	-17,389	7,719	-17,389	17,516	26,099
Liquid funds at the beginning of the period	76,607	58,931	76,607	58,931	31,643
Translation differences in liquid funds	-151	-104	-151	149	1,189
Closing cash and cash equivalents	59,067	66,546	59,067	76,596	58,931

Parent company

Statement of comprehensive income

	Jan - Mar	Jan - Mar	YTD	Full year	Full year
TSEK	2019	2018	2019	2018	2017
Other sales	1,167	1,563	1,167	6,040	6,275
Cost of goods sold	0		0	0	0
Gross profit	1,167	1,563	1,167	6,040	6,275
Selling expenses	0	0	0	0	0
Administrative expenses	-2,548	-1,904	-2,548	-13,881	-18,062
Development expenses	0	0	0	0	0
Other operating expenses/income	0	-15	0	0	-10
Operating profit	-1,381	-356	-1,381	-7,841	-11,797
Net financial items	-244	-1,600	-244	-1,939	-2,645
Profit before tax	-1,625	-1,956	-1,625	-9,780	-14,442
Tax	0	0	0	-1,343	-2,984
Profit for the period/Comprehensive income for the period	-1,625	-1,956	-1,625	-11,123	-17,426

Balance sheet

	31 Mar 2019	31 Mar 2018	31 Dec 2018	31 Dec 2017
TSEK				
Intangible non-current assets	5,301	70	3,824	0
Shares in subsidiaries	413,952	413,952	413,952	413,952
Deferred tax assets	19,761	21,104	19,761	21,104
Receivables from Group	30,817	31,664	33,828	30,000
Other current assets	1,098	607	679	306
Cash and bank balances	21,903	33,272	21,389	37,404
Total assets	492,832	500,669	493,433	502,766
Shareholders' equity and liabilities				
Shareholders' equity	450,158	440,312	451,783	445,043
Long-term liabilities	0	0	0	0
Long-term liabilities towards shareholders	28,650	38,148	28,141	36,209
Short-term liabilities	0	0	0	0
Short-term liabilities towards shareholder	10,383	16,776	10,199	15,993
Trade and other payables	384	553	628	0
Trade and other payables from Group	454	722	81	450
Other current interest-free liabilities	2,803	4,158	2,601	5,071
Total shareholders' equity and liabilities	492,832	500,669	493,433	502,766

Statement of changes in shareholders equity

	Jan - Mar 2019	Jan - Mar 2018	YTD 2019	Full year 2018	Full year 2017
TSEK					
Beginning of period	451,783	445,043	451,783	445,043	364,113
New share issue, net	0	0	0	17,502	98,336
Profit for the period/Comprehensive income for the period	-1,625	-4,731	-1,625	-11,123	-17,406
Stock related remuneration	0	0	0	361	0
End of period	450,158	440,312	450,158	451,783	445,043

Quarterly data

Consolidated statement of income, quarterly data

	2019		2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Net sales	78,440	124,423	95,688	88,557	71,681	83,275	70,885	68,189	
Cost of goods sold	-49,272	-73,546	-49,006	-49,587	-46,695	-46,881	-47,964	-36,297	
Gross profit	29,168	50,877	46,682	38,970	24,986	36,394	22,921	31,892	
Costs	-41,346	-43,586	-37,896	-39,584	-39,860	-41,093	-41,114	-46,471	
Operating profit	-12,178	7,291	8,786	-614	-14,874	-4,699	-18,193	-14,579	
Net financial items	-465	649	-1,843	2,691	-3,182	-4,350	-810	-3,944	
Res Profit before tax	-12,643	7,940	6,943	2,077	-18,056	-9,049	-19,003	-18,523	
Tax	3,053	-129	-2,854	-3,375	4,982	-3,547	2,021	2,622	
Profit for the period	-9,590	7,811	4,089	-1,298	-13,074	-12,596	-16,982	-15,901	

Key indicators and other information, quarterly basis

TSEK	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating margin (%) 1)	Neg	0.06	0.09	Neg	Neg	Neg	Neg	Neg
Gross margin (%) 2)	37.19	40.89	48.79	44.01	34.86	43.70	32.34	46.77
Profit margin (%) 3)	Neg	0.06	0.04	Neg	Neg	Neg	Neg	Neg
Equity per share (SEK) 4)5)	0.53	0.53	0.52	0.50	0.50	0.50	0.49	0.53
Cash flow per share (SEK) 6)	-0.02	0.05	0.01	-0.01	0.00	-0.01	-0.02	-0.02
Number of employees 7)	210.00	195.00	188.00	178.00	170.00	169.00	167.00	166.00
No. of outstanding shares (thousands)	860,024	860,024	860,024	844,914	844,914	844,914	657,155	657,155
Equity/assets ratio (%)	66.24	71.82	72.90	70.25	66.78	67.29	58.69	62.11
Order intake (SEK thousands)	99,975	143,941	100,689	182,856	52,798	156,322	59,423	64,603

IFRS 16 has an impact on comparability of 2019 numbers to the reported 2018 numbers. We refer to the disclosure on page 21.

- 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, 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.

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 March 31, 2019)	Including IFRS 16	IFRS 16 Impact	Excluding IFRS 16
Balance			
Property, plant and equipment	47,393	-38,383	9,010
Long-term liabilities	29,275	-29,275	0
Short-term liabilities	19,514	-9,319	10,195

TSEK (as per March 31, 2019)	Including IFRS 16	IFRS 16 Impact	Excluding IFRS 16
EBITDA	-116	2,813	-2,929
Depreciation tangible and intangible fixed assets	-12,062	-2,470	-9,592
Operating profit (EBIT)	-12,178	343	-12,521
Net financial items	-465	-553	88
Profit before tax	-12,643	-210	-12,433

TSEK (as per March 31, 2019)	Including IFRS 16	IFRS 16 Impact	Excluding IFRS 16
Cash flow			
Items with no effect on cash flow	12,827	-2,813	10,014
Financial items	-1,155	553	-602
Repayment of loan	-2,260	2,260	0
Cash flow from operating activities	-20,566	-2,260	-22,826

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 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.

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 2017, which is available on the Sensys Gatso website www.sensysgatso.com

Financial information

Invitation to a presentation for press and analysts

On 25 April at 10:00 CEO Ivo Mönnink and CFO Simon Mulder will present the Interim Report for the first quarter, 2019 and answer questions in an audiocast. The presentation can be followed online via the link on Sensys' website: www.sensysgatso.com or by <https://tv.streamfabriken.com/sensys-gatso-group-q1-2019>

It is also possible to listen to the presentation and ask questions by phone.

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US: +1 8 335 268 347

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

Financial calendar

Future reporting dates

AGM financial year 2018	9 May 2019
Half year Report Jan - June 2019	29 August 2019
Interim Report July - September 2019	28 November 2019
Year-end Report January - December 2019	20 February 2020

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