

Sensys
Gatso
Group

› 2019

Annual Report



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Our Purpose

People make mistakes.
And those mistakes have consequences.
Dramatic consequences.
Each day, over 3,500 people die.
Not through sickness or old age.
But through traffic crashes.

We battle this each day.
A battle against overconfidence and acceptance.
We are all excellent drivers. In our minds.
Until we actually get behind the wheel and drive.
A traffic accident?
It happens.
It's part of driving in traffic.

No.
We refuse to accept this.
It's our calling to come up with solutions.
This is why Gatso refused to accept human measurement errors.
And why Sensys fought against the idea
that traffic victims are just the reality of sharing the road.

A combination of these strengths was clearly meant to be.
And so Sensys Gatso was born.
With a joint mission to improve traffic behavior.
Through intelligent, effective, and reliable enforcement.
All around the world.

From clear violation recording
to sending out the fine.
And from tailor-made products
to five star maintenance.
With our unique software at the heart of it all.

This is how we've made traffic enforcement a service.
And how we always create the best solutions for our customers.

Sensys Gatso. Making traffic safer.

Our Mission

Sensys Gatso - Making traffic safer

Our Vision

"Our vision is to be an innovator in traffic management by providing software and services for a safer and more sustainable environment."



2019 Annual Report

Sensys Gatso Group AB is a Swedish company that is subject to Swedish legislation. All amounts are expressed in Swedish kronor. Millions of kronor are abbreviated to MSEK and thousands to TSEK. Numerical data within parentheses refer to the 2018 financial year, unless otherwise stated. Data on market and competition conditions are Sensys Gatso Group's own estimates. These estimates are based on most up-to-date available information from published sources. Financial information, both in Swedish and English, is available at www.sensysgatso.com under Investerare/Investor Relations, where a printed copy of the Annual Report may also be ordered. A copy of the Annual Report can also be obtained by calling +46 (0)36-34 29 80, or by e-mailing a request to info@sensysgatso.com.

Comments from the CEO:

Transitioning to a Service Company

2019 was another strong year for Sensys Gatso. We grew our order book to a record high total year order intake of SEK 562 million. At the same time we made great progress in transforming our business model from System Sales to TRaaS. In the Regions, there were many highlights during the year of which three really stood out: we continued our growth in North America where we signed nine TRaaS contracts during the year. In Australia we boosted our market position by introducing a new covert in-vehicle solution and by realizing a record SEK 190 million order intake. Finally we set a firm foot on the ground in our new region Latin America, where we signed two new contracts in Colombia. In February 2020 we were given a notice of award from the Costarican Government for a SEK 200 million contract, which will further enhance our latin american market position. Altogether, both commercially and technically quite a satisfactory year for the Sensys Gatso Group.

Traffic enforcement on the rise

This growing interest and order book is not by coincidence. 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 "purpose", the reason we exist. Being a leading global contributor to reducing the high and growing

number of fatalities in traffic, is an important binding factor between our customers, suppliers and our employees.

Environment, Social responsibility and Governance (ESG) is gaining importance in today's societies and business environments. We see an increasing interest from customers around the world for our traffic safety solutions, as our TRaaS business

model supports our customers in the transformation towards more sustainable and safer environments. An example of this is the global increased interest in distracted driving enforcement, for which we are participating in customer pilot projects.

Transforming to a service provider

A few years ago we decided to focus on becoming a full solution provider to our customers. At the end of the year, our Traffic Enforcement as a Service (TRaaS) revenues accounted for nearly 45 percent of our revenues. TRaaS strengthens the bond with our customers and gives our research and development engineers valuable 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 transformation. The TRaaS business model has been particularly successful in the US market, where we fully install, maintain and control the enforcement infrastructure, including the back-office, and where we get paid per citation. In the United States Sensys Gatso is currently present in 11 states with 34 active programs. During 2019 we



have successfully implemented the first state-wide Uninsured Vehicle Enforcement program, a promising business vertical in this market. For many of stakeholders outside of the USA, the American TRaaS business model is understandably difficult to comprehend. In this annual report we dedicate a complete section on this model, written by our team located in Beverly, Massachusetts.

Globally diversified sales

Our strategy remains the same; we continue to focus on increasing our recurring Traffic enforcement as a Service (TRaaS) revenues with innovative solutions and with new customers. In 2019 we were successful in doing so by significantly expanding our global TRaaS business.

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, combining our flexible hardware and software platforms.

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. In February 2020 we received a notice of award from Costa Rica for the country's Nationwide Intelligent Transportation System. This project would further reinforce our position in Latin America.

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.

High order intake drives growth

For the full year of 2019 we realized a record high total year order intake

of SEK 562 million, 17% higher than 2018, our best year ever until now.

In our business, Sales cycles, Solution development and project implementation can take quite a long time. This certainly is the case when we develop and implement large, innovative and therefore complex projects, which take on average 20 months to go live. During the year we have been simultaneously developing three large projects in the Netherlands, Australia and the USA, which collectively absorbed considerable development and delivery resources. The project developments realised within the implementation phase will also benefit our future customers, as the functionality of our software platform grows.

I am very pleased with the TRaaS part of our 2019 order intake, which arrived at 60%. This sets a solid base for future growth as revenue and margin generation from this part of the order intake can be expected on a yearly base, typically for more than 5 years to come.

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

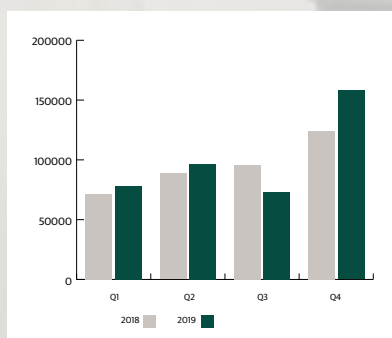
Our mission and focus remain the same. Sensys Gatso plays a leading role in changing traffic behavior and saving lives. Thanks to the combination of our scalable software solutions and flexible hardware, our strong global brand heritage and our competent global team, we feel we have a unique opportunity to increase our recurring revenues through our TRaaS offering for highways, rural roads and in cities. As I write this comment the corona virus is spreading around the world. The tragic development in many countries is hard to understand and comprehend. Sensys Gatso puts its employees safety and the customers business as the highest priority. We are continuously working with minimizing the risks and the impact to our business. So far we see no change in demand or impact on our capabilities to deliver to our customers.

Ivo Mönnink,
CEO, Sensys Gatso Group AB

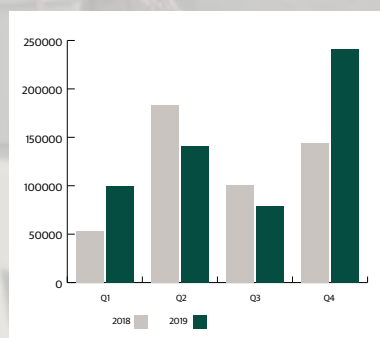
2019 in brief

- » Net sales MSEK 406.3 (380.3)
- » Order intake MSEK 561.9 (480.0)
- » Operating profit MSEK -24.4 (0.6)
- » Gross margin (%) 35.7 (42.5)
- » EBITDA MSEK 28.6 (37.6)
- » The profit after tax MSEK -15.1 (-2.5)
- » Comprehensive income MSEK -6.0 (16.1)
- » Earnings per share, before and after dilution, SEK -0.02 (0.00)
- » Cash flow from operating activities amounted to MSEK -3.7 (49.3)

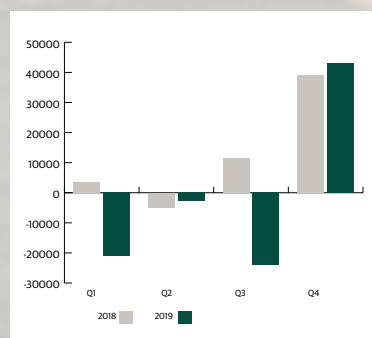
Net sales



Order intake



Cash flow



Significant events

Q1

- » 7 January - Sensys Gatso delivers third batch in-vehicle enforcement systems to Saudi Arabia
- » 18 February - Sensys Gatso USA and Town of Upper Marlboro, US, have mutually agreed to terminate the contract
- » 22 March - Sensys Gatso Australia receives contract extension worth SEK 46 million

Q2

- » 5 April - Sensys Gatso Australia receives order for maintenance services worth SEK 12 million
- » 16 April - Sensys Gatso receives five-year contract extension in Albany, New York worth SEK 21.5 million
- » 8 May - The nomination committee in Sensys Gatso Group update the proposal for the board of directors for the upcoming Annual General Meeting. The nomination committee has submitted the proposal that five (six) Board Members should be appointed, re-election of the chairman Claes Ödman, Jochem Garritsen, Pia Hofstedt and Kerstin Sjöstrand and new election of Christina Hallin.
- » 10 May - Sensys Gatso is awarded a TRaaS contract from Chester, Iowa worth SEK 5.8 million
- » 21 May - Sensys Gatso is awarded a TRaaS contract from Mount Rainier, Maryland worth SEK 44 million
- » 28 May - Sensys Gatso Australia receives an order for upgrading ANPR technology worth SEK 7.3 million
- » 24 June - Sensys Gatso has received a contract extension from Des Moines, Iowa worth SEK 19 million

Q3

- » 12 July - Sensys Gatso Netherlands receives order from France worth SEK 16 million for the T-Series in-vehicle solution
- » 12 July - Sensys Gatso delivers 4th batch in-vehicle enforcement systems to Saudi Arabia
- » 18 July - Sensys Gatso receives a contract for traffic enforcement in Bolivar, Colombia worth SEK 9.2 million
- » 31 July - Sensys Gatso receives a contract for traffic enforcement in Cesar, Colombia worth SEK 10 million
- » 5 September - Sensys Gatso receives order from the United Arab Emirates worth SEK 12 million
- » 19 September - Sensys Gatso receives order from the United Arab Emirates worth SEK 8 million

Q4

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

A list of Sensys Gatso's press releases can be found on:

www.sensysgatso.com

TRaaS in the American Market

We do the work, you keep control

Sensys Gatso continues to build upon a long history of strength, leadership, and innovation in the traffic enforcement industry with a sustained commitment to Traffic Enforcement as a Service (TRaaS). In America, we have led a conscious shift in the structure of our sales portfolio, which was accented well by record-high order intake globally. The TRaaS solution establishes a direct and daily line of communication between our team and our clients. We fully deliver and manage all aspects of the automated traffic enforcement verticals that we serve. This includes everything from asset procurement and installation, to the issuance and collection of citations through their respective, client-specific, citation lifecycles. At the heart of TRaaS, lies our clients' ability to customize the scope of their enforcement needs without ever sacrificing transparency.

The TRaaS Model

TRaaS is a highly scalable hybrid of Sensys Gatso's system sales and managed services segments. Traditionally, with the exception of the American market, Sensys Gatso has followed a system sales model, or one-off sales model. In system sales, TRaaS takes the form of recurring revenue streams through critically important maintenance and upkeep activities. But with so much more to offer from a managed services perspective, our strategic transition toward the TRaaS model has become exceedingly necessary. This transition will ensure that the tangible value of traffic safety, which we proudly and consistently deliver to our clients, is optimally manifested from a profitability standpoint. A staple of TRaaS is its recurring revenue structure. With such a model in place, at any scale, long term margins are rewarded for the continuance of high-quality, reliable service.

A Scalable Software Suite

The inherent benefits of TRaaS' flexible deployment-scope are further enhanced by Sensys Gatso's dynamic software solution suite. It all begins with FLUX, our sensor-agnostic, data generation platform; which is a cross-compatible, data input consolidator, capable of streamlining various inputs while maintaining the highest level of data integrity. Along with optimizing the performance of our proven and powerful T and S series hardware solutions, FLUX is futureproof. It is compatible with various cameras and sensor inputs; including future sensor technology and cameras not yet available in the marketplace. FLUX's compatibility offers us high levels of flexibility with respect to hardware deployment. This provides us with an advantage when dealing with suppliers. All this, while maintaining the highest level of data integrity. In constant communication with FLUX is PULS, Sensys Gatso's sensor maintenance and data analytics software. PULS works efficiently to maximize the uptime for all active units and scales easily to meet our clients' needs. PULS receives, compiles, and delivers data from all of our

flexible input configurations to Xilium, our comprehensive workflow management software and user interface. Xilium automatically handles violations, generates a multitude of highly-customizable reports, sends out notices of violations, and even manages the fine collection process. Xilium is an intuitive, dynamic, and user friendly interface which serves as the end point for all traffic enforcement verticals. Throughout all phases of these interwoven processes, the end client maintains complete and exclusive visibility and control, all without having to lift a finger. Whether our clients need a little or a lot of software functionality, Sensys Gatso has it covered. This is the real benefit of TRaaS.



Traffic enforcement as a solution, begins with high quality equipment, installed right. Sensys Gatso's experienced procurement professionals handle procurement, permitting, and installation for all US traffic enforcement programs.

TRaaS in the USA - 34 Contracts in 11 States

TRaaS may be an ideal that we aspire to in many regions, but in the US we went to the market with this service model from day one. From the time we opened our

doors in 2007, our team has been steadily building loyal partnerships with clients through the important day-to-day communications involved with a successful traffic enforcement program. This directly speaks to the viability and strength of TRaaS. With full-scale TRaaS deployments at the municipal and state-wide levels, we are able to respond in real time to a dynamic market by quickly adapting to changes in state and local laws. The US market has served both as an incubator, and the ultimate stress test for TRaaS' adaptability. Sensys Gatso USA is the single point of contact for its end clients' traffic safety initiatives. All facets necessary for a successful traffic enforcement program are encapsulated by TRaaS, from infrastructure permitting, procurement and installation, to citation issuance, collection, and revenue allocation.



Quality in, quality out. Our industry leading photo enforcement technology continues to be the cornerstone of our solutions worldwide, as well as the first step of the citation life cycle for American clients

The traffic citations required in our market offer interesting insights into the flexibility of TRaaS' revenue structure. Generating and issuing traffic citations, whether for speeding, running a red light, or any other traffic violation, often results in a revenue sharing model where Sensys Gatso and the end client share the proceeds from the collected fines. This allows us to offer our traffic safety solutions at zero cost to our client cities. While such a model is ideal, legislative policies often dictate the specifics of enforcement programs and vary greatly across the US market. In states where revenue sharing is prohibited, TRaaS allows for compensation models to be tied to any number

of program metrics. It can also be deployed using a simple, per camera, per month leasing model.

TRaaS in this market handles every segment of the traffic enforcement value chain. As a result of this, states and municipalities can enjoy a number of secondary administrative benefits in addition to safer driver behavior and reduced road fatality rates. One major benefit of the TRaaS model is that it allows fully-scaled traffic enforcement systems to be implemented with little to no burden placed on the end clients' staff. All day-to-day maintenance and management of the systems and software is handled by our experienced staff members. Our clients can typically avoid the burdensome staffing investments often associated with large-scale traffic safety initiatives. In addition, our clients are not required to develop or outsource software solutions, back office, or even payment and fulfillment operations. Once deployed, our customers love it; we do the work, they keep control.



Sensys Gatso can also handle citation payments (card or check), for any program we implement. Paid citations frequently generate new revenue streams at no cost to the client. Our end clients have complete visibility of their citation collection process, with zero added burden on their end

New business verticals in the American Market

Recent growth in the U.S. has taken the form of a number of different business verticals, all of which serve to strengthen our total TRaaS portfolio. Our success with traditional speed and red light enforcement has allowed our back office to develop into the TRaaS driver it is today. With such a strong downstream payment processing and

management system in place, entry into a new business vertical becomes a matter of orientation and positioning upstream. With TRaaS, we are well-positioned for a number of fully integrated market entries.

and Sensys Gatso and provides a long sought-after solution to the problem of uninsured vehicles on the road. Our flagship program, made possible by our TRaaS model, is the first of its kind in America and operates throughout the entire state of Oklahoma.

Uninsured Vehicle Diversion Program

2019 marked our first full year in the uninsured vehicle diversion market. This market is unique to both America



Non-compliance



1 in 7 or 14% of vehicles driving on US roads are uninsured.
Source: Insurance Research Council

School bus stop arm enforcement

School bus stop arm violations have been on the rise in America in recent years, with the most recent of estimates suggesting as many as 17 million drivers pass school buses loading and unloading students annually. Sensys Gatso's commitment to traffic safety compelled us to find a solution to address this pervasive issue, especially one which continues to put the lives of our children at serious risk. Our stop arm solution utilizes the highest-quality sensor inputs available to the industry. As violations are captured by our cameras, they are then sent through PULS and into Xilium, establishing a legally acceptable evidence package for law enforcement officers, and subsequently, the offenders themselves.

Sources: National Association of State Directors of Pupil Transportation Services 2019 Stop Arm Survey



Parking Enforcement

Sensys Gatso's entry into parking enforcement leverages the strength and flexibility of our back office platform to create additional revenue streams. These diversified income streams help to create a more well-rounded, robust portfolio. With a projected market size of USD 5.1 Billion by 2023 with an 8.7% compounded annual growth rate (CAGR), parking enforcement is a promising space Sensys Gatso will continue to explore in the coming fiscal year.

Sources: <https://www.marketsandmarkets.com/Market-Reports/parking-management-market-1249.html>



Modular Market Entry

While historically, the American market has had a high level of acceptance for fully integrated TRaaS solutions, full TRaaS integration will require some time for cultural acceptance to catch up in the European market. The market landscape across Europe has a large amount of variance to account for, from centralized to decentralized supplier structures, to greenfield or brownfield segments. Here, TRaaS' modularity, as well as its flexible financial structure are of great benefit to us. In Europe, TRaaS will set its roots by streamlining, augmenting, and simplifying select, country-specific segments of the automated traffic enforcement value chain. Any segment of the TRaaS value chain can be a means of market entry. The deciding factor will be which segment a given country is most prepared to outsource.

Good things take time. For markets in many countries, the level of outsourcing a full scale TRaaS deployment carries with it is too great to be done in one go. Whichever segments show the most need, and are the most willing, will be the first to benefit. As European markets grow more and more accepting of traffic enforcement as a solution, TRaaS' flexible scope will capitalize on unique market entry opportunities as they present themselves. Once anchored, Sensys Gatso and the client will grow together. An increase in our scope is an increase in client resources. While in some countries, total TRaaS may take some time to be fully realized, its end benefits will be well worth the wait.

Vision Zero

Traffic Safety on the political agenda

Over the last couple of years the issue of casualties and injuries as a result of traffic crashes has had more attention than ever. Several governmental bodies are starting to realize that the human and economic impact of this growing problem needs to be addressed with urgency.

Some astonishing facts:

- » Globally, approximately 1.3 million people die each year as a result of road traffic crashes. This means that more than 3,500 people die every day on our roads.
- » Road traffic crashes cost most countries 3% of their gross domestic product or an equivalent of USD 65 billion annually.
- » More than half of all road traffic deaths are among vulnerable road users: pedestrians, cyclists, and motorcyclists.
- » 93% of the world's fatalities on the roads occur in low- and middle-income countries, even though these countries have approximately 60% of the world's vehicles.
- » Road traffic injuries are the leading cause of death for children and young adults, aged 5-29 years.

The World Health Organization (WHO) is the lead agency - in collaboration with the United Nations regional commissions - for road safety within the UN system. In the 2030 Agenda for Sustainable Development the WHO has set an ambitious target of halving the global number of deaths and injuries from road traffic crashes by 2020.

The WHO is embracing the Safe System approach: accommodating human error. The Safe System approach to road safety aims to ensure a safe transport system for all road users. Such an approach takes into account people's vulnerability to serious injuries in road traffic crashes and recognizes that the system should be designed to be forgiving of human error. The cornerstones of this approach are safe roads and roadsides, safe speeds, safe vehicles, and safe road users, all of which must be addressed in order to eliminate fatal crashes and reduce serious injuries.

Speeding

An increase in average speed is directly related both to the likelihood of a crash occurring and to the severity of the consequences of the crash. For example, every 1% increase in mean speed produces a 4% increase in the fatal crash risk and a 3% increase in the serious crash risk. The risk of death for pedestrians hit by car fronts rises rapidly (4.5 times from 50 km/h to 65 km/h).

The European Transport Safety Council has calculated that 2,100 lives could be saved each year if the average speed dropped by only 1 km/h on all roads across the EU.

Vision Zero

It was the Swedish Government that started in 1997 the program by the name of Vision Zero. The main objective

(vision) of the program is to have zero fatalities amongst the road users. Any other figure would be considered inappropriate in the sense that the government and the people accept that people die on roads.

Vision Zero is based on an underlying ethical principle that "it can never be ethically acceptable that people are killed or seriously injured when moving within the road transportation system". As an ethics-based approach, Vision Zero functions to guide strategy selection and not to set particular goals or targets. In most road transport systems, road users bear complete responsibility for safety. Vision Zero changes this relationship by emphasizing that responsibility is shared by transportation system designers and road users

A core principle of the vision is that 'Life and health can never be exchanged for other benefits within the society' rather than the more conventional comparison between costs and benefits. Typically, a monetary value is placed on life and health, and then that value is used to decide how much money to spend on a road network towards the benefit of decreasing how much risk.

Since the inception of Vision Zero two decades ago, many things have been done in order to achieve this vision. In order to increase road safety, activities have taken place around the famous 4 E's in Road Safety; Education, Engineering, Emergency Services and Enforcement.

Education

Creating awareness about the effects of speeding in traffic and how it can easily be correlated to number of fatalities in a region. Just as drinking and driving is socially unacceptable, with the proper education, audiences can also be made aware of other dangerous traffic behaviors.

Engineering

Making sure that road types, crossings, bridges etc. are designed in such a way, that crashes can either be avoided or that the impact of crashes can be minimised.

Emergency Services

Rapid response to crash victims and administering the best possible medical attention. There is a direct correlation between a rapid medical response to a crash victim and their chance of survival.

Enforcement

Is ensuring that road users adhere to the applicable regulations. In Sweden the enforcement program is focused solely on speed enforcement which has resulted in a significantly lower average speed, which has in turn contributed to fewer fatalities.

Sensys Gatso's contribution

Sensys Gatso (at that time Sensys Traffic) has worked together with the Swedish Transport Administration (Trafikverket) on the topic of Enforcement since Vision Zero was first introduced. By making the general public aware and conscious of the fact that speed limits are being enforced - especially on known dangerous sections of roads - the speed of vehicles will decrease, thus reducing the number of fatalities and those seriously injured. Since the beginning of the implementation of Vision Zero in Sweden, Sensys Gatso has delivered and maintained approximately 3,000 speed cameras. The cameras save about 20 lives a year and save more than 70 people each year from being seriously injured in traffic.

International recognition

In the international road communities and people working in road safety, the Swedish Vision Zero concept is widely recognized and acknowledged. Many countries have adopted (elements of) the Vision Zero program and the Swedish authorities are providing education to the international community in order to share this vision.

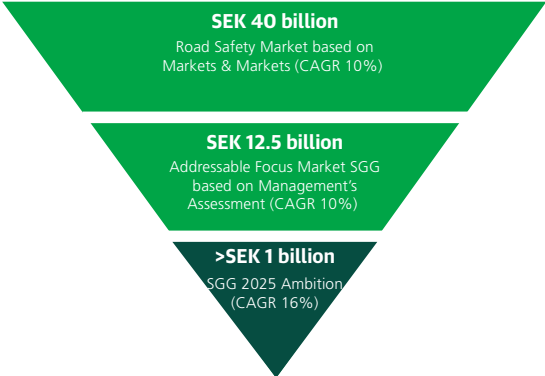
THE MARKET

Road Safety Market

Road safety in general refers to the measures that can be taken to reduce the risk of accidents and fatalities of road users (cyclists, motorists, pedestrians, vehicle passengers, and public transport passengers).

The road safety market gradually evolved after the 1990s, with the advent of guiding signs, traffic police, manual traffic lights, and analog cameras. With the emergence of telematics and connectivity solutions, the road safety market witnessed an upsurge in the application of sensors, radars, access control, and GPS. The increase in the adoption of Internet of Things (IoT), especially after the 2010s, led to the emergence of smart solutions for the deployment of modern projects, such as smart highways and smart cities.

Traditionally, road safety enforcement falls under police and government authorities' responsibility. However, rapid urbanization, increasing number of cars and vehicles, the increase in passenger traffic and congestion on roads, followed by the rising number of road fatalities have increased the demand for technology-driven, automated, and highly secured road infrastructure.



We estimate our addressable market to be approx. SEK 12.5 billion and growing by 10 percent annually. It is our ambition to grow with a CAGR of 16 percent thereby outperforming the market. Diverse global market conditions and customer needs are changing faster than ever. The 2025 strategy has been built on growing the TRaaS business around the home markets Sweden, and the Netherlands and the growth markets MEA, North America and Latin America.

Customers & Markets

Sensys Gatso is active in more than 70 countries around the globe. From a historical point of view, Sensys Gatso is serving some markets that can be considered "home markets". In all of these markets we are serving the customer directly. This means that Sensys Gatso is the prime contractor with the end-customer. End-customers can be Police forces, Ministries of Interior, Ministries of Justice or Traffic Authorities. These direct end-customer contracts lead to Sensys Gatso being responsible for the complete fulfilment of the solutions being offered and sold. This can include installation, commissioning and maintenance & support.

When governmental institutes decide to procure a certain solution or technology, this will typically lead to a public procurement or tender process. Tender processes have strict rules and serve to give equal opportunities to obtain contracts for the bidders. Tenders have different phases such as e.g. pre-qualification rounds, references check, compliancy on technology and requirements, final bidding and awarding. It is therefore that tenders are taking up quite some time before contracts are awarded. Even after contract award, other bidders have the right to legally challenge the award decision, which might lead to postponing the implementation of the project.

There is a direct link between certain projects and political decisions or priorities. The best example in this case is the deployment of the speed enforcement infrastructure in Sweden as a result of the decision of the Swedish parliament in 1997. Other more recent examples are the implementation of so-called Low Emission Zones (LEZ) in several European cities. The European Commission has issued a directive to its member states in order to decrease pollution in cities which has led to the implementation of these systems which are designed to ban certain vehicles from entering the cities.

Sensys Gatso Solutions

As mentioned in the previous paragraphs, several markets are being served directly by Sensys Gatso. Other markets are being served in an indirect model whereby Sensys Gatso works together with partners. Regardless of which model is chosen, we always have a tailor-made solution to serve our end customers. As the market needs evolve, we see customers showing more interest in moving from a traditional capital investment model to a model with only operating costs.

Sources: Road Safety Market - Global Forecast to 2023 by MarketsandMarkets 1), 2)
Reducing Speed in Europe - February 2019
<https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries>
<https://www.trafikverket.se>





Sustainability Report

The ability to see the big picture

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.

Sensys Gatso develops, produces, markets and sells system solutions and products to improve traffic safety. Our largest product category includes automatic speed and redlight monitoring systems designed to prevent traffic accidents and thereby saving lives and reducing costs to society.

Our customers consist of police and road authorities all around the world, and to some extent of private operators contracted by government agencies. We have a close relationship with our customers and together we find customized solutions for local needs and objectives. Our long term relationship with customers often result in add-on sales over time. For more information about Sensys Gatso and our customers we kindly refer to note 1.

The production of our systems is partly done by third party suppliers in Sweden, and partly at our own production facility in Haarlem, the Netherlands - overall engaging approximately 10 employees in Haarlem and 80 different suppliers in Sweden and the Netherlands.

Sensys Gatso is committed to UN Global Compact ten principles and reports on progress below. Sensys Gatso is all about making traffic safer in the world's drive for sustainable cities and the UN 2030 Sustainable Development Goals (SDG). Sensys Gatso's business is focused on SDG goal number 11, building sustainable cities and communities. This is where we can make the biggest difference.

Environmental - Sustainable cities

Our view is that Sensys Gatso is working in an industry that is in the beginning of a major change. The world is becoming more and more urbanized and people are constantly connected. Digitalization and an increased awareness of sustainability issues in society have changed the way people think, live and work. We see trends where the young people of today, living in metropolitan areas, no longer want to own a car, but instead just rent it when necessary. We are talking about Car-to-go and Uber. At the same time more and more people are moving into the larger cities.

When the world is changing around us, we need to stay one step ahead. We notice this same need of change and behavior within our customers. Traditionally, Sensys Gatso's customers have been law enforcement authorities

UN's 2030 Sustainable Development Goals



Goal 11.

Make cities and human settlements inclusive, safe, resilient and sustainable

with the need to fulfill the law requirements, while our customers today are traffic safety authorities with safety on their agenda. At the same time we see a trend where future customers will be cities or municipalities, focusing on a high standard of living where aspects such as user-friendly environment, accessibility and safety score very high.

Environmental - A safer and healthier planet

Environmental issues are always central when developing new products, and improving existing ones. It's also an essential part of how our employees think and act. A business trip from one country to another can nowadays easily be replaced with a virtual meeting.

The functionality in our systems contributes to reduced greenhouse gas emissions, reduced speed, and smooth traffic flows. In that sense, Sensys Gatso also helps customers around the world to achieve better, more efficient utilization of roads.

Report on progress:

Examples of our sustainability approach in development;

- » Sensys Gatso cooperates with Dutch authorities to monitor traffic in environmental zones, both in cities and rural zones. In urban areas, our technology determines if trucks and other heavy vehicles drive through city centers within a certain timeline.
- » Outside the cities, in suburbs and in the countryside, we keep track of cars driving through family neighborhoods. The benefits are calmer, more pleasant, and cleaner residential areas and roads in general.
- » Sensys Gatso has an ongoing test project for schools in Japan to improve the overall safety for kids and teenagers. The purpose is to warn unprotected pedestrians when speeding cars approach.
- » Recently Sensys Gatso signed School Zone Speed enforcement programs in Pawtucket and Buffalo in the USA, with the objective to protect the youngest participants on the road.

Sensys Gatso complies with the WEEE directive (Waste of Electric and Electronic Equipment). The directive determines how we shall handle used electronic products in the future. Sensys Gatso also complies with the RoHS directive (Restrictions of Hazardous Substances), which refers to restricting and removing hazardous substances from electrical and electronic equipment. Our subsidiary in the Netherlands, where we have production, is certified under the ISO 14001:2015 standard, and for this entity we have yearly KPI's for usage of water, energy and gas and CO2 emission. The trend from 2012 onwards, is a steady decrease on all Key Performance Indicators.

In the yearly risk assessment two main areas of risk to the environment have been identified;

Within transportation;

All deliveries to customers are done through ex-works or FCA, giving limited possibilities for Sensys Gatso to choose forwarder and thereby limiting the risk. However, for internal transportations we aim to optimize a combination of price and quality when choosing freight forwarder. Deliveries are either done by air or by lorries. We actively work to reduce unnecessary transportations by weekly planning of logistics. Sensys Gatso does not have any Key Performance Indicators in place to measure environmental risks in transportation.

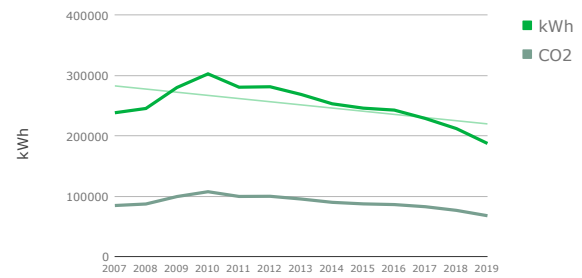
Within production;

The majority of the production is done by a third party. When choosing suppliers and producers, the aspects of their work towards sustainability and ISO 14001:2015 is taken into consideration.

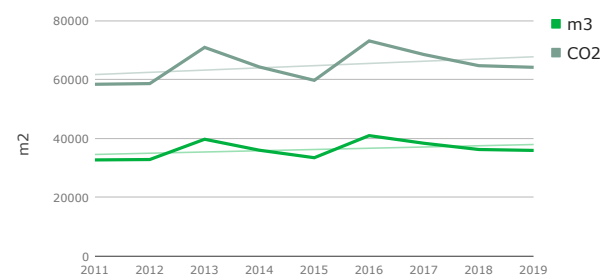
For production inhouse, where we mostly handle production of lower volumes, we follow well documented routines in order to limit the risks involved.

Sensys Gatso uses the Key Performance Indicators above to measure environmental risks in production.

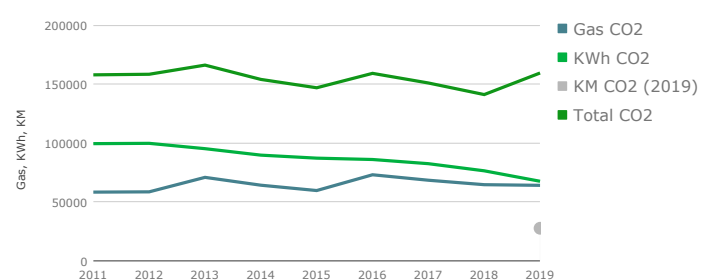
Electrical use kWh and produced CO2 at SGN



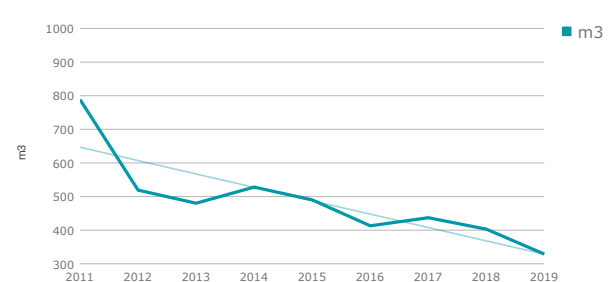
Gas use and produced CO2 at SGN



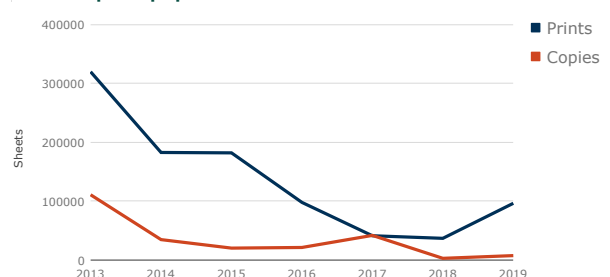
CO2 Emission at SGN



Water use at SGN



Print, copies (paper use) at SGN



We promote returning and recycling of products and dismantle a product when a customer returns the product after use. The residual and production waste is collected, separated, reused and disposed accordingly, contributing to the circular economy. It is critical that people are aware of their impact on the environment.

At Sensys Gatso people's sustainability awareness is continuously increased. Our efforts taken within the production facility to minimize our environmental impact are highlighted by using our "Green SGG" campaign sign throughout the facility.



Report on progress

UN Global Compact principle 7-9:

Social - Presence and engagement

Sensys Gatso has ongoing discussions with authorities around the world regarding a variety of traffic issues.

In Sweden, we primarily consult the Swedish Transport Administration (Trafikverket), which is responsible for the long-term planning of the state road network and Vision Zero.

We have embraced the ideas of the Swedish policy innovation, Vision Zero. Our wish is that no one should die in traffic, ever. In recent years, the Vision Zero ideas and methods have gained greater acceptance worldwide. For instance, several cities in the USA have embraced the Vision Zero concept. As the concept evolves, we are committed to support the Vision Zero initiatives. Through this we embrace our leadership role in helping to create a safer traffic environment and a more sustainable society.

We have regular contacts with multilateral organizations and have given presentations at conferences of the following organisations UNECE, AfDB, IRF, RS5C (VTI), ARSC (Asean Road Safety Centre). Based on Sensys Gatso's experience we share knowledge by means of presentations and white papers with our clients i.e. governments and related stakeholders.

During 2019 Mr Philip Wijers, Sensys Gatso's Director of Government Affairs, presented in Sofia, Bulgaria for the IRF 2nd International Road Safety & Innovation Forum. He also presented at the IRF Transport Connectivity Forum in Podgorica, Montenegro. Mr Philip Wijers is co-chairman of the IRF Road Safety Enforcement Subcommittee.

Sweden was the host for the 3rd Ministerial Road Safety Conference in February 2020 marking the end of the UN Decade of Action for Road Safety and kick-started the 2030 goals. Over a thousand road safety stakeholders including Ministers, NGOs and heads of agencies joined and contributed to the event. The International Road Federation (IRF) in partnership with the Swedish Transport Administration, Road Safety Support and Sensys Gatso Group was appointed to host an official pre-conference workshop on "Global Best Practices in Enforcement: Speeding & Distracted Driving".

Sweden's Vision Zero ambition is an important basic principle and has become a new global standard for traffic safety. Together with the Swedish Transport Administration, the Swedish Institute for Standards (SIS)

has initiated an international work and has developed a management system standard for road traffic safety - ISO 39001 - which was published in the autumn of 2012. The international interest is great and interest groups such as, WHO and World Bank have participated in the work. Road traffic safety not only concerns road builders, transporters and vehicle manufacturers, but all organizations that can influence or are affected by road safety. Sensys Gatso Sweden is a member of the committee.

Social - employees

The heart and soul of our business

As a global company, Sensys Gatso can make a difference in the world. In order to make the world a better place, our employees and business partners must take responsibility - for themselves and for each other. Sensys Gatso's Code of Conduct, is a regulatory framework that helps us remember who we are. The code is a set of professional rules, covering things like laws, regulations, values, and behaviors that define how we do business. Our Code of Conduct applies to all employees, and the Board of Directors. Its main purpose is to ensure that Sensys Gatso acts reliably and with integrity. Sensys Gatso is committed to making sure everyone in our business is treated equally. We want everybody to have the same opportunities, regardless of gender, ethnic origin, age, and religion. We embrace people's differences. When we mix, things get dynamic and interesting, bringing new perspectives and ideas to the table. Therefore, Sensys Gatso has an equality- and diversity policy. The purpose of Sensys Gatso's equality and diversity policy is to prevent individuals from being excluded due to gender, ethnic origin, age, and religion. The policy is also important to enable our ambition to build diverse groups. Our overall goal is that all tasks are evenly assigned throughout the entire workforce. To us, it's of utmost importance to avoid stereotypes and gender labels regarding certain positions and tasks. Read more about our equality and diversity policy on page 31.

At Sensys Gatso, our working environment is a central theme. A good working environment is good for the health and wellbeing of every employee. It also makes it easier to recruit and retain employees. Our working environment consists of offices, workshops, R&D laboratories, cars, test sites, and much more. We constantly analyze how we can get better in order to eliminate all types of risks at work. Sensys Gatso has documented routines and instructions designed to ensure a safe lab environment and safe working conditions on road sites. In countries where road safety is poor, we are particularly vulnerable. To avoid danger and injuries on road sites, training programs are made available to all employees. Visitors, customers, partners suppliers, authorities and of course our employees, everyone should always feel safe working with Sensys Gatso. It's part of our brand, and our integrity.

Report on progress

UN Global Compact Labour principle 3-6:

In general, we have a very healthy global workforce. In 2019 all subsidiaries have stayed within the same average percentage of sick days as previous years, being 2 - 4%.

Sensys Gatso performs employee satisfaction and performance interviews on two occasions each year. In addition to following up on the interviews, we conduct workshops where specific focus areas are highlighted.

During 2019 we have seen a higher risk in the psycho-social working conditions due to usage of smartphones and the time zone differences - there will always be a customer awake and working. During 2017 we included this area in the interviews with individual employees and risk analyzes. For 2019 we have had particular focus on this area during our risk assessment in the working environment.

Report on progress

UN Global Compact Human Rights principle 1-2: Be yourself, wherever and whenever you are

Sensys Gatso's due diligence work for human rights is based on our Code of Conduct and above all on the United Nations Universal Declaration of Human Rights (UDHR). Our Code of Conduct clarifies Sensys Gatso's position regarding issues such as human rights, employee conditions, environment, business ethics and communication. Sensys Gatso encourages every business partner around the world to do the same.

Sensys Gatso does not foresee any larger risks to human rights within the projects we are involved in. However, some of our customers operate in countries with inadequate human rights. In order to be a responsible ambassador for human rights, for some projects we have internal workshops to highlight and discuss human rights in the countries at hand.

Sensys Gatso honors all human rights and follows all legal and export regulations. Our position is that every individual has a basic and strong right to feel safe, regardless of the political and religious views of the specific government. If an employee feels uncomfortable traveling to another country, due to the country's human rights policies, we won't force our co-worker to go. We respect our employees' values and their personal integrity.

Due to the high tech environment within the Company, there is a large risk that the engineering group within Sensys Gatso might become single gendered, even though the Company strives to achieve diversity in the composition of the workforce and in recruitment. The purpose of the equality policy is to prevent individuals from being chosen for certain teams purely/primarily due to their gender, or so that a group does not become single gendered. When appointing vacant positions, the company strives to achieve the best possible age, sex and ethnicity distribution.

The company does not have KPI's to measure the accountability for Human rights. However, the feeling of being accepted and respected for who you are, is discussed in the yearly employee interviews. Through our whistle blower policy, there is also the possibility to address a specific occasion or incident anonymously to the Chairman of the Board of Directors.

Report on progress

UN Global Compact Anti Corruption principle 10: Untouchable, all the way

Since 2008, Sensys Gatso has been following a policy that addresses issues of bribery, corruption and public affairs in our line of work. In the tendering phase, the policy is discussed with employees as well as partners. When we handle larger projects in countries where there is a high risk of corruption, we always make a risk analysis beforehand.

With some larger customers the company has a written understanding of the basis for the collaboration to ensure there is no risk of misunderstanding the code of conduct between the company and the customer.

In some cases, due to high risk of corruption, based on decisions from the Board of Directors, participation in certain projects may be declined.

During 2018 Sensys Gatso has finalized and internally publicized a significant upgrade of our anti-corruption policy. All employees with customer and supplier contact have confirmed that they have read the policy, understand it and that they will conduct accordingly.

In 2019 Sensys Gatso has further implemented the Know Your Customer (KYC) process documenting the KYC forms on all material customers and partners.

In the year 2020 Sensys Gatso will request all employees with customer and supplier contact to reconfirm that they have read the Anti-Corruption policy and that they will conduct accordingly.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Sensys Gatso Group AB,
corporate identity number 556215-4459.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 16-19 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm April 8, 2020

BDO Mälardalen AB

Johan Pharmanson

*Authorised Public Accountant
Auditor in Charge*

Long-term financial goals

Sensys Gatso's long-term four-pillar strategy is focused on profitable growth:

- » Expansion in the US-market with TRaaS
- » Entry into new markets with TRaaS
- » Developing scalable software & flexible hardware
- » Extension of the service scope in existing markets

Sensys Gatso's long-term financial goals

TSEK	2019	2025	CAGR
Total Net Sales	406	> 1000	> 16%
of which TRaaS recurring sales:	177	> 600	> 22%
EBITDA	7%	> 15%	
CAGR	24,574	6,030	30,604

Dividend policy

The Board of Directors of Sensys Gatso has not established a dividend policy and does not believe that a dividend will be paid in the near future. 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.

The share

Sensys Gatso's share is listed on Nasdaq Stockholm's Small Cap list. As at 30 December 2019, the share capital amounted to TSEK 43.002 divided into 860,024,407 shares. Each share gives the right to one vote.

Share performance

The highest price paid for Sensys Gatso shares during the year was SEK 2.23 (30 Jan, 2019) and the lowest price paid was SEK 1.04 (9 Dec, 2019). The closing price paid on 30 Dec, 2019 was SEK 1.36 (1.82).

In 2019, a total of 680,378,691 (1,491,203,032) Sensys Gatso shares were traded on the Stockholm Stock Exchange. At the end of the year, the market capitalisation amounted to SEK 1.169 million (1.565).

The 20 largest shareholders

The shares in Sensys Gatso Group AB were held as of 30 December 2019 as follows:	Number of shares	Proportion of share capital/votes %
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)*	164,247,615	19.10
Försäkringsaktiebolaget, Avanza pension	36,399,447	4.23
Wall, Per	23,000,000	2.67
Bergstrand, Inger	20,659,837	2.40
Nordnet Pensionsförsäkring AB	10,260,319	1.19
SEB Investment Management	9,631,680	1.12
State Street Bank & Trust co, W9	9,270,396	1.08
Swedbank Försäkring AB	8,385,511	0.98
Hamberg DBO, Per Gudmund	7,360,734	0.86
Skandia, Försäkrings	6,445,712	0.75
Pension, Danica	6,272,098	0.73
Ståhlgren, Hans Edvin	5,530,000	0.64
Arding language Services Aktiebolag, Arding Lang	5,000,000	0.58
Kihlberg, Jan	4,306,665	0.50
Mellgren, Claes	3,827,357	0.45
Dahlin, Lars	3,800,000	0.44
Handelsbanken Sverige Index, Criteria	3,656,204	0.43
Åhlin, Gunnar Erik	3,400,000	0.40
Berger, Gunvald	3,326,273	0.39
Hjalmarsson, Per Harry	3,314,283	0.39
Total, 20 largest shareholders	338,094,131	39.33
Total, other shareholders (18,981)	521,930,276	60.67
Total	860,024,407	100.00 %

*163,000,000 of these shares are held (via BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)) by Gatso Special Products BV.

Administration Report

The Board of Directors and Chief Executive Officer of Sensys Gatso Group AB (publ.), corporate registration number 556215-4459, hereby present the Annual Report & Accounts for the financial year ended 31 December 2019.

Sensys Gatso Group's operations

Sensys Gatso provides services and maintenance in combination with sales of systems with the objective to improve safety in traffic through enforcement. The company develops, produces, markets and sells sensors, systems and software that are mainly used for speed enforcement, red-light enforcement, Automatic License Plate Recognition, environmental zones and safety zones enforcement. In the USA the company mainly provides Managed Services, where we service the whole chain from providing and maintaining equipment, owned by the company, to processing events, sending out citations and collecting funds. The Group's end customers primarily comprise of police and road authorities throughout the world, as well as private operators. Sales are conducted either directly or via partners, agents and distributors positioning the Group as a leading global traffic safety provider.

Legal structure

Sensys Gatso Group consists of Sensys Gatso Group AB (publ) and the wholly-owned subsidiaries Sensys Gatso Sweden AB and Sensys Gatso Netherlands BV. For additional information see note 32.

Sales and earnings

Net sales for the full year was SEK 406.3 million (380.3). The gross margin was 35.7 percent (42.5). Profit/loss before tax amounted to SEK -27.5 million (-1.1). Profit/loss after tax was SEK million -15.1 (-2.5). For further details regarding financial performance please see page 26 - 27.

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 63.4 percent (71.8). Cash and cash equivalents amounted to SEK million 52.4 (76.6) at the end of the year. Cash flow from operating activities during the year totalled SEK million -3.7 (49.3).

Share data and key ratios

Earnings per share were SEK -0.02 (0.00) and equity per share was SEK 0.52 (0.53). The equity/assets ratio at year-end was 63.4 percent (71.8).

Employees

The average number of employees were 202 persons (169). The number of employees at the end of the period were 252 (195), whereof a part being part-time employees. For additional information see note 2.

Environmental issues

The environment is an important consideration in Sensys Gatso's development of new products, its improvement of existing products and with regard to deliveries and business trips involving employees. Sensys Gatso supplies systems for traffic informatics. The functionality of these systems contributes to lower carbon dioxide emissions as a result of reduced speeds and more even flows of traffic.

Sensys Gatso complies with the applicable WEEE Directive (Waste of Electric and Electronic Equipment), which stipulates how future used electrical equipment will be processed, and the RoHS Directive (Restriction on Hazardous Substances), which aims to remove hazardous substances from products.

Last year we successfully transferred our quality and environmental management systems to comply with new ISO standards and we are now certified according;

- » ISO 9001:2015 for Quality management system in Sweden, the Netherlands and Australia
- » ISO 14001:2015 for Environmental Management system in the Netherlands
- » ISO 27001:2019 for Information Security for the Netherlands

Furthermore the Sensys Gatso Sweden AB holds an accreditation for compliance to the requirements of the ISO 17020:2012 standard, to perform type C inspections.

For further information see the Sustainability report on page 16.

Research and development

The Group prioritises research and development in order to maintain and strengthen the company's market position. Remaining at the forefront by offering innovative solutions is fundamental to what we do. Since its inception, Sensys Gatso Group has worked with universities and institutes of higher education, offering students the opportunity to write papers with the assistance of the company. During 2019 SEK 3.7 million (5.1) has been capitalized for the development of the new platform FLUX and other solutions.

Policies concerning remuneration and other conditions of employment for Sensys Gatso's senior executives

The Annual General Meeting in 2018 established policies for the remuneration of the company's senior executives. The Group's senior executives currently include the CEO and three members. The Group shall offer remuneration that is consistent with market terms and this shall be established by the Board in consultation with the Chief Executive Officer. The criteria shall be based on the importance

of the duties performed, competence and experience, and remuneration shall consist of the following components:

- » Basic salary
- » Variable remuneration
- » Pension benefits
- » Other benefits and severance terms

The variable remuneration shall be based on set targets for sales and EBITDA and cannot amount to more than 6 months salary for group management and the CEO.

As previously, the CEO shall benefit from a supplementary pension scheme with a premium that represents approximately 30 percent of the current annual salary. The retirement age is 65 years.

Other members of the company's management team shall have the right to retirement pensions as per the Swedish ITP plan or equivalent.

Salaries and remuneration of the CEO and other senior executives for 2019 are listed under note 2.

These guidelines are also proposed for the coming year.

Risks

A description of potential risks and how these are managed is provided under note 24.

Sensys Gatso share information

There are no limitations on the right to assign shares of Sensys Gatso Group (first refusal), nor are there any limitations on how many votes each shareholder may cast at general shareholders' meetings. The company is not aware of any agreements between shareholders which could entail a limitation on the right to assign shares. The single largest shareholder is BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) with 164,247,615 shares. 163,000,000 of these shares are held by Gatso Special Products BV,

with 18.95% of total shares (18.95). For more information, see page 21, Sensys Gatso Group share information and ownership structure.

The annual general meeting in May 2019 authorized the Board, with or without deviation from the shareholders preferential, to do a new share issue of maximum ten (10) percent of the total number of shares in the company. Also, the annual general meeting authorized the board to repurchase a maximum of five per cent of the total number of issued shares. None of these authorizations have been used during 2019.

Appointment and dismissal of Board members

The Articles of Association contain no specific provisions on the appointment or dismissal of Board members.

Parent company

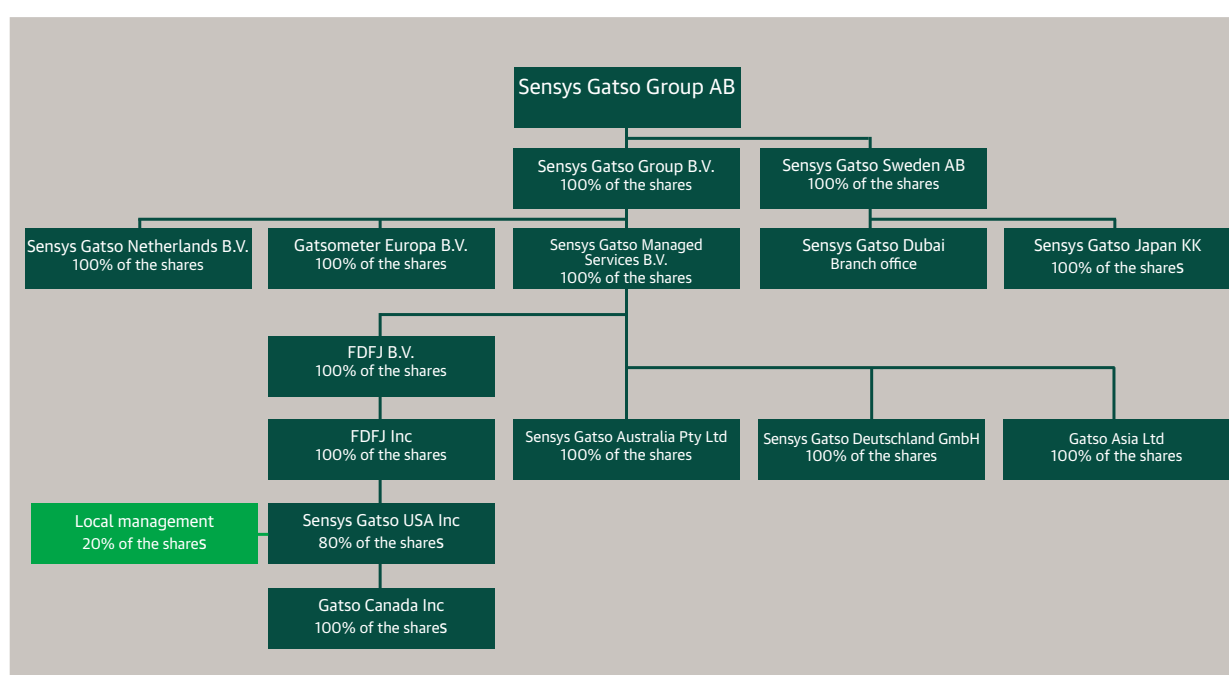
The business of the Parent company consists of owning and managing participations in subsidiaries, as well as managing some key tasks for the Group. Net sales for the period amounted to SEK 8.0 million (6.0) and profit before taxation amounted to SEK 5.2 million (-0.8).

Proposed appropriation of profit or loss

The following profits are at the disposal of the Annual General Meeting (amount in TSEK):

Share premium reserve	397,379
Retained earnings	-11,400
Result for the year	4,054
Total TSEK	390,033

The Board of Directors proposes that no dividend will be paid for 2019 and the profits to be carried forward.







Financial performance

A five-year summary

(Figures 2015 include Gatso Beheer BV as of August 2015)

INCOME STATEMENT	2019	IFRS 16	2019 excluding IFRS 16	2018	2017	2016	2015
Sales	406,325	0	406,325	380,349	293,094	436,607	397,825
Operating expenses	-430,717	893	-431,610	-379,760	-346,762	-459,848	-349,122
Operating profit/loss	-24,392	893	-25,285	589	-53,657	-23,241	48,703
Financial items	-3,137	-1,606	-1,531	-1,685	-10,552	-6,724	-1,422
Profit/loss before tax	-27,529	-713	-26,816	-1,096	-64,209	-29,965	47,281
Income tax	12,418	0	12,418	-1,376	3,470	5,581	-6,352
Profit/loss for the year/Total profit/loss	-15,111	-713	-14,398	-2,472	-60,733	-24,384	40,929

BALANCE SHEET	2019	IFRS 16	2019 excluding IFRS 16	2018	2017	2016	2015
Noncurrent assets	456,830	32,735	424,095	404,160	403,596	449,635	462,413
Current assets	249,047	0	249,047	227,502	220,671	159,848	313,144
Total assets	705,877	32,735	673,143	631,662	624,267	609,483	775,557
Shareholders' equity	448,854	-713	449,567	454,796	421,179	386,623	387,352
Noncurrent liabilities	76,901	23,109	65,756	67,949	87,111	116,025	147,366
Current liabilities	180,122	10,339	169,784	108,917	115,977	106,835	240,839
Total shareholders' equity and liabilities	705,877	32,735	685,107	631,662	624,267	609,483	775,557

DATA PER SHARE	2019	IFRS 16	2019 excluding IFRS 16	2018	2017	2016	2015
Earnings per share 31 Dec, SEK	-0.02	0	-0.02	0	-0.07	-0.04	0.07
Shareholders' equity per share, SEK	0.52	0	0.52	0.53	0.50	0.59	0.59
Dividend per share, SEK	0	0	0	0	0	0	0
Share price 31 Dec, SEK	1.36	-	1.36	1.82	1.53	1.41	3.61
P/E ratio	Neg	Neg	Neg	Neg	Neg	Neg	51.6
Number of shares at end of period before full conversion, thousands	860,024	-	860,024	860,024	844,914	657,155	657,155
Number of shares at end of period after full conversion, thousands	860,024	-	860,024	860,024	844,914	657,155	657,155
Average number of shares during the period before full conversion, thousands	860,024	-	860,024	848,691	673,102	657,155	589,826



“We have created a solid base for growth based on our 2019 investments”

KEY FIGURES AND RATIOS	2019	2018	2017	2016	2015
EBITDA	28,567	37,562	-14,757	25,347	75,651
Adjusted EBITDA	28,567	37,562	-14,757	29,446	75,651
Gross margin, %	35.7	42.5	39.6	33.6	41.7
Operating margin, %	Neg	0	Neg	Neg	12.2
Net margin, %	Neg	0	Neg	Neg	10.3
Equity/assets ratio, %	63.4	71.8	67.3	63.4	49.9
Return on equity, %	Neg	Neg	Neg	Neg	15.5
Interest-bearing liabilities	129,378	58,891	82,353	99,174	214,665
Net interest bearing debt	77,002	-17,716	23,422	67,531	97,301
Change in cash and bank balances	-24,543	17,527	26,099	-39,130	-1,183
Cash flow from operations	-3,740	49,307	-39,250	88,418	71,317
Order intake	561,940	480,284	348,918	199,858	292,408
Average number of employees (FTE)	202	162	154	151	178

DEFINITIONS OF KEY FIGURES AND RATIOS

Operating margin

Profit after depreciation and amortisation as a percentage of the year's invoicing.

Net margin

Operating profit as a percentage of the year's invoicing.

Equity/assets ratio

Adjusted equity as a percentage of total assets.

Risk-bearing capital

Adjusted equity + deferred tax liabilities in untaxed reserves as a percentage of total assets.

Net interest bearing debt

Short term debt + long term debt - cash and cash equivalents

EBITDA

Operating profit before depreciation.

Adjusted EBITDA

The adjusted EBITDA figure concern the EBITDA adjusted for in 2016. The following effects have been adjusted for;

- transformation program	-16,025
- contingent liability	11,926

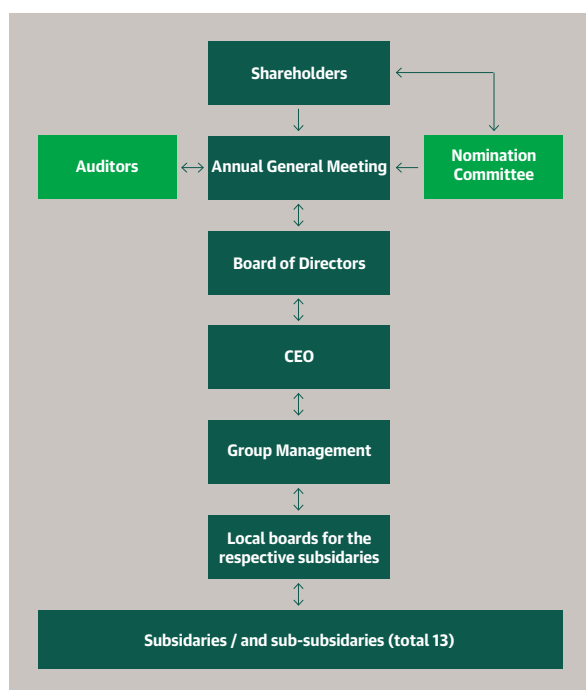
FIVE YEAR SUMMARY PARENT COMPANY

Sensys Gatso Group AB has as of January 1st 2017 transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB. The business of the parent company now consists of owning and mangaging participations in subsidiaries, as well as managing some key tasks for the Group.

	2019	2018	2017	2016	2015
Sales	7,981	6,041	6,276	118,749	190,284
Profit/loss before tax	5,175	-773	-14,422	-17,207	38,543
Total assets	499,000	502,440	502,766	496,907	569,848
Average number of employees (FTE)	1	1	1	35	40

Corporate Governance Report 2019

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarter in Jönköping, listed on Nasdaq Stockholm, Small Cap. Sensys Gatso follows the Swedish Code of Corporate Governance and hereby states the 2019 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.



Shareholders and General Meetings of Shareholders

The shareholder's rights to decide on Sensys Gatso Group's affairs are exercised at the Annual General Meeting (AGM), or when applicable extraordinary general meeting, which is the company's highest decision-making body. The AGM is to be held no later than six months after the end of the financial year and is usually held in April / May. At the AGM, the shareholders elect the company's Board of Directors, appoint external auditors, and decide on their fees. Furthermore, the AGM resolves on whether to adopt the income statements and balance sheets, to approve the appropriation of the company's profit and to discharge the Board and CEO from its liabilities. The AGM also resolves on the composition of the Nomination Committee, instructions to the nomination committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other group management.

The number of shareholders at year end was 19,001 (20,606). The largest individual shareholder is BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) (Gatso Special

Products BV) with a total of 18.95 percent (18.95). For more information on the ownership structure, share capital, share price, etc, kindly notice the Sensys Gatso share on page 21.

Annual General Meeting

The 2019 AGM was held on May 9th in Jönköping. A total of 23 (24) shareholders were presented at the meeting, representing 15.8 per cent (27.3) of the votes. The CEO informed about the position of the company and commented on the results for 2018, and the first quarter of 2019. During the AGM, the shareholders were given the opportunity to ask questions. Minutes from the AGM can be found on Sensys Gatso's website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting;

- » It was resolved that no dividend for 2018 was to be made.
- » The annual general meeting resolved to re-elect Claes Ödman, Jochem Garritsen, Pia Hofstedt, Kerstin Sjöstrand and new election of Christina Hallin as members of the Board of Directors for the period until the end of the next annual general meeting.
- » Claes Ödman was re-elected as Chairman.
- » It was resolved to authorise the Board to make decisions concerning issuance of shares on one or more occasions during the period until the next Annual General Meeting
- » It was resolved that the nomination committee shall be constituted by offering the four largest shareholders the possibility to each appoint their representative.

Nomination Committee

A nomination committee is formed each year at the initiative of the Chairman of the Board. According to the AGM, the nomination committee shall represent the four largest shareholders of the company. If a nomination committee comprising five members (including the chairman) is not obtained after having contacted the eight largest shareholders, the chairman shall continue to contact the shareholders that are next in turn until a nomination committee comprising four members (including the chairman) has been obtained. The work of the nomination committee takes place during the end- and the beginning of the financial year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when mak-

ing nominations to the AGM. The nomination committee's proposals, with regard to the election and remuneration of Board members, are presented in the notice of the AGM as well as on the company's website.

The members of the nomination committee for 2019 was appointed based on the ownership structure as per 30 September 2018 and then known changes.

The nomination committee has consisted of Jan Johansson (appointed by Inger Bergstrand), Per Wall, Timo Gatsonides (for own and others' holdings) and Claes Ödman (in his capacity as chairman of the company). Timo Gatsonides has been appointed Chairman of the nomination Committee. No remuneration has been paid for the work of the nomination committee.

Sensys Gatso deviates from the Code's rule 2.3, second paragraph, which states that neither the chief executive officer nor other members of the executive management are to be members of the nomination committee. The shareholder controlling the largest number of the votes has appointed Timo Gatsonides who is CTO of the Sensys Gatso and member of the executive management. In light of Timo Gatsonides' knowledge of the Sensys Gatso and his large indirect shareholding through a family company, it was deemed beneficial to the company to deviate from the Code on this point. No violations of Nasdaq Stockholm's Rules for Issuers or good practice in the stock market have occurred.

All shareholders are entitled to approach the nomination committee with proposals for the AGM. No such proposals were received before the AGM in 2019.

Remuneration guidelines

The remuneration guidelines for 2019 was approved by the AGM.

External auditors

The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the CEO's and Board of Directors's administration of the company, the annual accounts of subsidiaries and submits an audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted accounting principles in Sweden.

At the AGM 2019, BDO AB was appointed as auditor with Johan Pharmansson as the auditor in charge. In February 2020 Johan Pharmansson personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2019.

Audit of the Group's subsidiaries has been coordinated by BDO AB and all of the activities in companies with a significant scope of operations has been audited by BDO in the respective country.

Remuneration to the auditors in 2019, was paid in accordance with the table in note 21.

THE BOARD OF DIRECTORS

The Board of Directors (BoD) currently consists of five members elected at the AGM. Company employees participate in Board meetings in a reporting capacity.

The Nominating Committee's reasoned statement ahead of the AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nominating Committee has addressed the diversity within the Board.

The goal is that the Board shall have a suitable composition in respect of the Company's operations, phase of development and conditions in general, distinguished by a diversity and breadth of expertise, experience and backgrounds, and that an even gender balance shall be strived for. The 2019 AGM resolved to elect board members in accordance to the Nominating Committee's recommendation, entailing that five directors were elected, of whom three are women and two are men.

For further information concerning the Board of Directors, please notice page 34 of this annual report.

The work of the Board

The work of the Board is regulated by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board. The BoD determines issues concerning the Group's strategic focus, finances, investments, acquisitions, sales and organizational issues and rules and policies. The BoD is informed of the company's operations partly through monthly reports provided by the CEO, and partly through their own work. Informal contact is also maintained among the members of the Board. Normally, nine board meetings are held each year whereof one statutory board meeting in conjunction with the AGM. Four of the board meetings are held prior to the publication of interim reports and four board meetings per year are assigned additional time, where a specific focus is placed on strategic issues and future business. The internal steering documents are approved on an annual basis. The auditor of the company is present at board meetings whenever needed, normally once a year. Notices and supporting documents are sent to the Board one week in advance of the Board meetings.

The work of the Board 2019

The Board held 13 (15) meetings during the financial year 2019. In conjunction with the Annual General Meeting, a statutory Board meeting was held at which decisions were made regarding company signatories, the Board's rules of procedure, CEO instructions and scheduled Board meetings throughout the year. Four of the Board meetings were held prior to the publication of interim reports, and six meetings were held with strategic focus. The internal steer-

The Nomination Committee ahead of 2019 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes	Member of the Nomination Committees since
Per Wall	for own holdings	23,000,000	2017
Jan Johansson	Inger Bergstrand	21,004,714	2014
Timo Gatsonides	for own holdings	163,000,000	2015
Claes Ödman	Chairman of the Board	521,818	2016

ing documents were reviewed and approved by the board according to the yearly cycle. Seven of the meetings were physical meetings and six were online meetings. The attendance at Board meetings is presented on page 30.

The Group's CEO took part in all the Board meetings to present the reports and the Group's CFO reported the financial development. For information on the CEO, see page 35 of the Annual Report.

Board of Directors' independence

According to the Swedish Corporate Governance Code, the majority of the elected Board members must be independent in relation to the company and management team. At least two of these must also be independent in relation to the company's largest shareholders. All members of the Sensys Gatso's Board are independent in relation to the company and in relation to the company's largest shareholders.

No member of the Board is employed by the Group. The nomination committee's assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal. For further information please see page 21 and 34.

Evaluation of the work of the Board

The work of the Board is evaluated through a systematic and structured process. This evaluation is initiated by the Chairman of the Board. Among other things, the process includes a questionnaire in which Board members have the opportunity to express their opinion of the Board's work and to propose ways to improve it. The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods. The findings were presented to the Nomination Committee.

Special committees

The Board does not include any special committees. The Chairman of the Board, in consultation with the other Board members, takes responsibility for, and makes decisions, concerning the salaries and incentive programs of

the CEO and group management on the basis of policies determined at the Annual General Meeting.

All members of the Board of Directors assume responsibility for ensuring that audit activities are conducted in an effective manner and that the company has appropriate internal control procedures in place and produces high-quality financial reports. The Board fulfils this duty by maintaining regular contact with the auditor and by examining their plan for the audit activities and the remuneration for this work.

CEO and Group Management

The CEO of Sensys Gatso Group is responsible for leading and developing operating activities according to the guidelines and instructions issued by the Board. The framework is provided by the terms of reference issued to the CEO, which are determined annually by the Board.

The CEO is assisted by group management consisting of the Heads of areas. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work and for the Board to make informed decisions. The CEO is responsible for bringing matters to the attention of the Board and for motivating proposed decisions. Also the CEO leads the work of the group management and makes decisions in consultation with other members of management. Group management has at least 12 meetings per year during which it follows up operations, discusses matters affecting the Group and drafts proposals for strategic plans and budgets, which the CEO presents to the Board for decision. At year-end the management team for the Group consisted of Ivo Mönnink (CEO), Simon Mulder (CFO), Timo Gatsonides (CTO) and Joris Lampe (CCO).

Management of subsidiaries

Sensys Gatso Group's operations comprise five active sub- and sub subsidiaries. The operations of the respective sub- and sub subsidiaries are controlled by their management teams. Sensys Gatso has a decentralized structure, with a strong focus on responsibility and performance.

Board work 2019

Q1	Q2	Q3	Q4
20 February <i>Q4 & Year-End Report</i>	8 April <i>Annual Report and AGM</i>	17 July <i>Cash-flow and repayment shareholders' loan</i>	16 October <i>Business plan, cash-flow and financing growth</i>
14 March <i>Strategic meeting</i>	24 April <i>Interim Report Q1 - Governance</i>	28 August <i>Interim Report Q2</i>	27 November <i>Interim Report Q3</i>
	9 May <i>Statutory meeting and approval of corporate policies</i>	23 September <i>Strategic meeting and approval of corporate policies</i>	4 December <i>Strategic meeting and approval of corporate policies</i>
	28 May <i>Strategic meeting</i>		

Board of Directors, as per year end 2019

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Claes Ödman	13/13	1965	2011	400,000	521,818	Swedish	Chairman of the Board	independent
Kerstin Sjöstrand	13/13	1958	2016	200,000	28,542	Swedish	Board member	independent
Pia Hofstedt	13/13	1961	2016	200,000	300,008	Swedish	Board member	independent
Christina Hallin	6/13	1960	2019	200,000	52,500	Swedish	Board member	independent
Jochem Garritsen	13/13	1972	2015	200,000	110,142	Dutch	Board member	independent

*Independent in relation to the company and/or the owners.

Code of Conduct

Our global presence requires that our employees and business partners take responsibility for themselves and for each other. Therefore, we have a regulatory framework, our Code of Conduct.

The Code of Conduct is to be followed by everyone in our Group, employees as well as the Board and management. We also communicate our Code of Conduct to our business partners, with the expectation that they are to comply with it.

Our Code of Conduct states amongst other things, how we are to act to become a reliable and honest partner, living up to its commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

The Code clarifies our position on issues related to human rights, labor conditions, the environment, business ethics and communication. The Code applies to all Sensys Gatso employees regardless of their position.

Equality and diversity policy

Differences between people can constitute not only gender, ethnic origin, age, disability, religion and sexual orientation, but also experience, education, living situation and values. Taken together, this creates a dynamic diversity that adds new perspectives and ideas. This collective diversity represents the competence within Sensys Gatso, which is a strategic asset in the Group's commercial and operational development. Sensys Gatso views equality and diversity as both self-evident and a strength, and therefore strives to achieve diversity in the composition of the workforce and in recruitment.

The purpose of the equality policy is to prevent individuals from being chosen for certain teams purely/primarily due to their gender, or so that a group does not become single gendered. A candidate is appointed in accordance with the defined requirements profile. If two or more candidates are equally qualified, Sensys Gatso shall ensure that the company's teams are well balanced and that Sensys Gatso uses the time and skills of its employees in a manner that benefits both operations and individual personal development. When appointing vacant positions, the company shall also strive to achieve the best possible age and ethnicity distribution. The aim is to strive for as even a distribution as possible of all work tasks in the workplace and to act to prevent gender division in different tasks and roles.

REMUNERATION TO THE MANAGEMENT AND THE BOARD

Guidelines for remuneration

Remuneration to the CEO and other group management consists of basic salary, variable remuneration, other benefits and pensions. The balance between basic salary and variable remuneration is to be in proportion to the employee's responsibilities and authority. For the CEO, annual variable remuneration is capped at six months' salary. For other group management, annual variable remuneration is also capped at six month's salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for turnover and operating profit. In case of termination of employment of a senior executive by the Group, the compensation amounts to 3 months' base salary. See note 2. The remuneration guidelines were approved by the AGM.

Remuneration to the Members of the Board

Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on the committees. In 2019, remuneration was paid in accordance with note 2.

Remuneration to the Auditors

In 2019 remuneration to the auditors was paid in accordance with note 21.

INTERNAL CONTROL AND FINANCIAL REPORTING

The purpose of internal control is to create an effective decision-making process in which requirements, goals and frameworks are clearly defined. Ultimately, internal control is aimed at protecting the company's assets and thereby the shareholders' investment. The company also has a set of policies i.e. Code of Conduct, Anti-Corruption Policy, Whistle blower Policy, Privacy Policy, Risk Policy, Finance Policy, IR & Communication Policy and Insider Policy, internal instructions, procedures, systems and responsibilities in place to improve internal control.

Financial reporting to the Board

The CEO is responsible for ensuring that the Board of Directors receives the reports required to enable the Board to continually assess the company's financial position. The company's results and development are followed up on a monthly and quarterly basis and reported with analyses and comments to the Board. The company's business plan and reviews of the business plan constitute an important means of ensuring internal control. The company's financial reporting complies with the laws and regulations applicable to companies listed on the Stockholm Stock Exchange. It is of the opinion that a separate review function (internal audit) would not add additional value to the Group, which is why such a function does not exist.

Risk assessment

The financial risk assessment is mainly related to the potential for material misstatement in the reporting of the company's financial position and performance. To minimize these risks, governing documents have been established for accounting, procedures for annual reporting and follow-up of reported annual accounts. In addition, the risk policy, risk management instructions and finance policy, the management works continuously to identify and manage significant risks effecting the financial reporting.

Further details about the company's risk management are provided under note 24.

Control activities and follow-up

Control activities involve all levels of the organization. To ensure completeness and accuracy in the financial reporting, instructions and guidelines are being put into place and communicated to the relevant personnel. Control activities also include follow-up and comparisons of earnings and order intake, account reconciliations and balance as well as accounting and valuation principles.

The Company is subject to provisions of the EU's Market Abuse Regulation No. 596/2014 (MAR), putting great demands on the Company on how to handle inside information. In particular, MAR governs how insider information should be published to the market, the conditions under

which publication may be postponed and in what way the company is required to keep a list of persons working for the company, having access to inside information concerning the company (so-called logbook).

Since January 2017, the Company uses InsiderLog, a digital tool, to ensure that the above management meets the requirements of MAR and the Company's insider policy; from the decision to postpone disclosure of insider information all the way to the notice to be submitted to SFSA (Finansinspektionen) when the insider event is closed and the information has been disclosed. Only authorized persons in the Company have access to InsiderLog.

Information and communication

Sensys Gatso continuously provides information about the Group's performance and financial position to the market. The CEO is responsible for the accuracy and high quality of all information provided, for example, financial press-releases and presentation materials for various meetings with the media, shareholders and investors. An information policy applies for external communication that provides guidelines to the presentation of such information. The policy is intended to ensure that Sensys Gatso's information requirements are met in an accurate and complete manner. The most important governing documents, in the form of policies and instructions, are kept up-to-date and are communicated via the appropriate channels, mainly electronically. Internal information and communication is about creating awareness among the Group's employees about external and internal governing instruments, including authorities and responsibilities.

Sensys Gatso's whistle-blower policy means that each employee has the right to report suspected breaches of laws or regulations without fear of reprisal.

Shareholders

Sensys Gatso Group's shares have been listed on the Stockholm Stock Exchange since 2001. Sensys Gatso has a share capital of SEK 43.0 (43.0) million. The number of outstanding shares in Sensys Gatso at year-end was 860,024,407 (860,024,407) and the number of shareholders totaled 19,001 (20,606). All shares carry the same voting rights and entitle the holder to the same share of the company's earnings and capital. As detailed on page 21, the company has one shareholder (Gatso Special Products BV) with number of shares that exceeds 10 percent of

the company's total number of shares. For further information about the ownership structure, trading and share price movements, see page 21. The Articles of Association do not contain any conditions concerning voting right restrictions. There is no authorisation for repurchase of treasury shares.

Articles of association

The Articles of Association of Sensys Gatso Group AB state that the company's business is to develop and market traffic enforcement and traffic informatics products.

The Board of Directors shall consist of at least three and no more than seven Board members with no more than three Deputy Board members. The Board of Directors shall have its registered office in Jönköping in the Municipality of Jönköping. The Board members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.

The company's accounts shall be examined by one or two auditors with up to two deputy auditors or a registered auditing firm. The Board is responsible for ensuring that there is an effective system for internal control and risk management. Responsibility for creating a good environment for working on these issues has been delegated to the CEO.



Board of Directors



CLAES ÖDMAN
CHAIRMAN OF THE BOARD

Born: 1965

Board member since 2011.

Education: Masters Degree in Engineering Physics and an MBA, both from Chalmers in Gothenburg.

Background: COO and member of Group management of Swiss listed company Ascom. Has previously held various managerial positions at Ericsson AB, including in Singapore and Taiwan.

Shareholding: 521,818 shares.

Independent in relation to the company and its management, independent in relation to the company's major shareholders.



Name	JOCHEM GARRITSEN	PIA HOFSTEDT	KERSTIN SJÖSTRAND	CHRISTINA HALLIN
Function	Board member	Board member	Board member	Board member
Born	1972	1961	1958	1960
Employed since	Board member since 2015.	Board member since 2016.	Board member since 2016.	Board member since 2019.
Education	Master of Science degree in Systems Engineering, Policy Analysis and Management, University of Delft. Jochem is from the Netherlands.	Degree in Business Administration from Stockholm University and management training, Dale Carnegie.	B.Sc. Business Administration from Stockholm University.	MSc in Engineering Chalmers University of Technology.
Background	Senior Business Manager at Nokia. Has worked in the telecommunication industry in The Netherlands and abroad since 1999. Is a strong international leader and has held senior sales and business line head positions for professional services.	Extensive background as CIO within different industries. Currently CIO Quant AB. Former CIO at Aleris, Scandic Hotels, Salus Ansvar, Neo Net AB, CEO Neo Net Technology.	Head of Customer Services at SEB's Division Life. Has worked 30 years at SEB within different roles such as CFO and chief of staff at division level and business manager for the Swedish card business.	Vice President Market India of Volvo Trucks, Senior Vice President of Dong Feng Commercial Vehicles, various management positions within Volvo Group.
Other directorship	No	CEO Hofstedt Management & Consulting.	No	Vice President Market China of Volvo Trucks. Board member of Alimak Group AB (publ) and SEM (Swedish Electromagnet AB).
Shareholding	110,142 shares. Independent in relation to the company and its management, independent in relation to the company's major shareholders.	300,008 shares. Independent in relation to the company and its management, independent in relation to the company's major shareholders.	28,542 shares. Independent in relation to the company and its management, independent in relation to the company's major shareholders.	52,500 shares. Independent in relation to the company and its management, independent in relation to the company's major shareholders.

Senior executives



IVO MÖNNINK
CEO

Born: 1962

Employed since 2017.

Education: Master in Business Economics, Erasmus University Rotterdam.

Background: Has previously worked as CEO of Hitec Power Protection, Ferm powertools and Besin International (now Smurfit Kappa Hexacomb). Started his international career in commercial roles with Nike and Unilever.

Other directorship: Chairman of the Board at EasyScan Holding B.V. Owner of, and Board member of Destro Management B.V.

Shareholding: 1,247,615 shares. 6,000,000 call options valid from October 1, 2020.



Name SIMON MULDER

Function CFO

Born 1978

Employed since 2016

Education Post Master Accountancy.

Background Has previously worked as Finance Director of Sensys Gatso Group The Netherlands and Senior Audit Manager at BDO.

Other directorship No

Shareholding 45,000 shares.

Name TIMO GATSONIDES

Function CTO

Born 1973

Employed since 2015

Education Computer Science.

Background Started working at Gatso in 1995. Has previously worked as CEO of GATSO.

Other directorship No

Shareholding 163,000,000 shares*.
* indirect shareholding via a family holding company

Name JORIS LAMPE

Function CCO

Born 1972

Employed since 2017

Education MSc in Science and Business Administration, Twente University.

Background Has previously worked as Account Manager at Lucent Technologies, as Sales Manager at Nedap and as Managing Director of Itron Nederland.

Other directorship No

Shareholding 25,000 shares.

Up-to-date information on the members of the Board of Directors and Senior executives and their securities holdings is available on our website:

www.sensysgatso.com

Group

Statement of Income and other comprehensive income

TSEK	Note	2019	2018
Net sales	1, 3	406,325	380,349
Cost of goods sold		-261,278	-218,834
Gross profit		145,047	161,515
Selling costs		-81,157	-75,098
Administrative costs	21	-41,067	-38,579
Development costs		-47,849	-46,176
Other operating costs		634	-1,073
Operating profit/loss	2, 4, 6, 7	-24,392	589
Profit/loss from financial investments	8		
Interest income/foreign exchange gains		2,572	4,231
Interest expense/foreign exchange loss		-5,709	-5,916
Profit/loss before tax		-27,529	-1,096
Income tax for the year	5	12,418	-1,376
Profit or loss for the year	24	-15,111	-2,472
Profit attributable to owners of Sensys Gatso Group AB		-13,386	-1,897
Profit attributable to non-controlling interest		-1,725	-575
		-15,111	-2,472
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Translation differences		8,867	18,587
Total other comprehensive income for the period, net after taxes		8,867	18,587
Total comprehensive income for the period		-6,244	16,115
Total comprehensive income attributable to owners of Sensys Gatso Group AB		-4,519	16,679
Total comprehensive income attributable to non-controlling interest		-1,725	-564
		-6,244	16,115
Earnings per share before dilution		-0.02	0.00
Earnings per share after dilution		-0.02	0.00
Proposed dividend per share		-	-
Average number of outstanding shares before dilution, thousands		860,024	844,914
Average number of outstanding shares after dilution, thousands		860,024	848,691
Number of outstanding shares, thousands		860,024	860,024

Group

Balance Sheet

TSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
INTANGIBLE FIXED ASSETS			
Goodwill		257,164	251,257
Brand		12,738	24,076
Customer contracts and Customer relations		10,338	14,654
Product and software development		29,582	34,399
	9	309,822	324,386
TANGIBLE FIXED ASSETS			
Property, plant and equipment	10	68,628	42,006
Right of use assets	7	32,735	-
		101,363	42,006
FINANCIAL FIXED ASSETS			
Deferred tax assets	11	45,315	37,417
Other noncurrent assets		330	351
		45,645	37,768
TOTAL NON CURRENT ASSETS		456,830	404,160
INVENTORIES			
Work in progress		46,923	38,251
Finished products and goods for resale		39,626	33,613
	12	86,549	71,864
OTHER CURRENT ASSETS			
Trade receivables	13	75,419	56,935
Current tax assets		4,218	4,651
Other receivables		2,557	670
Prepaid expenses and accrued income	3, 14	27,931	16,775
		110,125	79,031
CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	52,373	76,607
		52,373	76,607
TOTAL CURRENT ASSETS		249,047	227,502
TOTAL ASSETS	16, 17, 22, 23, 24	705,877	631,662

Group

Balance Sheet

TSEK	Note	31 Dec 2019	31 Dec 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	36		
Share capital		43,002	43,002
Other contributed capital		422,594	422,594
Other reserves		36,089	27,293
Retained earnings incl net profit for the year		-51,913	-38,829
		449,772	454,060
Non-controlling interest		918	736
TOTAL SHAREHOLDERS' EQUITY		448,854	454,796
LIABILITIES			
NON CURRENT LIABILITIES			
Liabilities to shareholders	15, 18	39,387	48,692
Deferred tax liabilities	11	9,753	16,824
Other provisions	19	4,651	2,433
Lease liability	7, 15	23,110	-
TOTAL NON CURRENT LIABILITIES		76,901	67,949
CURRENT LIABILITIES			
Borrowings	15	46,090	-
Liabilities to shareholders	15, 18	10,449	10,199
Other provisions	19	7,442	7,050
Lease liability	7, 15	10,339	-
Trade payables		47,237	26,889
Current tax liabilities		2,473	-
Other liabilities		2,443	5,396
Prepayments from customers	3	18,189	31,866
Accrued expenses and deferred income	3, 20	35,460	27,517
TOTAL CURRENT LIABILITIES		180,122	108,917
TOTAL LIABILITIES		257,023	177,973
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	16, 17, 22, 23, 24	705,877	631,662

Group

Statement of Changes in Shareholders' equity

	Share capital	Other contributed capital	Other reserves	Retained earnings	Non-controlling interest	Total shareholders' equity
Shareholders' equity 1 Jan 2018	42,246	405,848	9,079	-38,400	1,299	420,072
Adjustment previous year's				1,107		1,107
Shareholders' equity 1 Jan 2018 adjusted	42,246	405,848	9,079	-37,293	1,299	421,179
Net profit of the year				-1,897	-575	-2,472
Other comprehensive income			18,215		11	18,226
New share issue	756	16,746				17,502
Share issue costs				361		361
Shareholders' equity 1 Jan 2019	43,002	422,594	27,294	-38,829	735	454,796
Net profit of the year				-13,386	-1,725	-15,111
Other comprehensive income			8,795		72	8,867
New share issue						0
Stock related remunerations				302		302
Shareholders' equity 31 Dec 2019	43,002	422,594	36,089	-51,913	-918	448,854

The adjustment of previous years error, relates to a release of liabilities to a supplier. The adjustment has an increasing effect on opening equity of SEK 1.1 million.

	Before dilution	After dilution
Number of shares at beginning of year	860,024	844,914
Conversion of Vendor Loan	-	15,110
Number of shares at end of year	860,024	860,024
Weighted average number of shares	860,024	848,692
Profit attributable to owners of Sensys Gatso Group AB	-13,386	-1,897
EARNINGS PER SHARE	-0.02	0

Group

Cash Flow

TSEK	2019	2018
Operating profit/loss	-24,392	589
Adjustments for non-cash items		
Depreciation and amortisation	52,958	36,973
Movement in warranty provision	3,125	-3,309
Other non cash items	1,478	793
Adjustments for non-cash items	57,561	34,457
Interest paid	-2,826	-2,312
Exchange rate effects	1,009	1,826
Income taxes paid	425	-311
Cash flow from operating activities before changes in working capital	31,777	34,249
Cash flow from changes in working capital		
Trade receivables	-19,181	14,397
Inventories	-25,075	-9,354
Trade payables	19,959	-2,699
Other changes in working capital	-11,222	12,713
Cash flow from operating activities	-3,742	49,306
Investing activities		
Investments in intangible assets	-3,653	-5,088
Investment in tangible assets	-41,351	-16,225
Cash flow from investing activities	-45,004	-21,313
Financing activities		
Repayments of Leases and Bank loans	-11,689	-266
Movements on credit facilities	46,090	-10,200
Movement in liabilities to shareholders	-10,199	-
Cash flow from financing activities	24,202	-10,466
Cash flow for the year	-24,544	17,527
Cash and cash equivalents at beginning of the year	76,607	58,931
Translation on liquid funds	309	149
Cash and cash equivalents at end of the year	52,372	76,607



Accounting and valuation principles

Sensys Gatso Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR1.

The Parent Company's annual report is prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR2 - Accounting for Legal Entities and the accounting policies adopted are consistent with those of the previous financial year as presented in the 2018 annual report.

All amounts are reported in thousands of Swedish kronor (TSEK), unless stated otherwise. The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are valued at fair value. Assets and liabilities are valued at cost, unless stated otherwise below.

CONSOLIDATED ACCOUNTS

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity issued by the Group.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination, are measured initially at their fair values at the acquisition date and are treated as assets and liabilities of the acquired entity.

Acquisition-related costs are expensed as incurred. Contingent considerations are recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries are adjusted to conform to the Group's accounting principles.

Non-controlling interest in the financial results and equity of subsidiaries are shown separately in the Group Statement of Income and other comprehensive income, Group Statement of Changes in shareholders' equity and Group Balance Sheet respectively.

The Group recognizes non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Inter-company sales

Inter-company sales are eliminated in the consolidated accounts.

TRANSLATION OF FOREIGN CURRENCIES

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated accounts are presented in SEK, which is the Parent Company's functional and presentation currency.

Transactions and balance-sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange-rate differences attributable to operating activities are recognized in operating profit, while exchange-rate differences attributable to the Group's financing are recognized under financial income and expenses.

Subsidiaries

The results and financial position of all subsidiaries that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- » assets and liabilities for each balance sheet are translated at the rate of exchange at the close of the financial period
- » income and expenses for each income statement are translated at the respective monthly average exchange rate, and
- » all resulting exchange-rate differences are recognized as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

REVENUE RECOGNITION

Goods

The group earns the majority of its revenues from the sale of goods. It predominantly manufactures and assembles those goods to specific orders, but also retains some finished goods for speculative sale. For the majority of its contracts the group recognises revenue at a point in time, typically on delivery of the goods to customers' premises or at the point of shipping. However, in a minority of contracts, typically for more bespoke orders, the group also recognises revenue as an order progresses through the manufacturing process, depending on milestones in a contract and performance obligations identified. The sale of goods are also referred to as One-off project sales.

Services

The Group's service organization installs, commissions and maintains traffic enforcement systems and conducts services and provides support to our customers. The services and maintenance revenues are sold in conjunction with delivery of goods in contract over a longer period of time or adhoc as service needs arise at our customers. Revenues for service and maintenance contracts are recognised over a period of time depending on the length of the contracts and revenues for adhoc services are recognized on an ongoing basis as the services are carried out.

Besides these services the group also earns revenues from Managed services contracts where the Managed Services department delivers the technology, processes violations, issues citations, collects fines and delivers helpdesk support. Revenues are recognised over a period of time depending on the contract duration. The performance obligations of Managed Services contracts are depending on contract specific and vary from customer to customer.

Revenues for software development and software maintenance activities are recognised at a point in time when software has been delivered to the customer. Maintenance revenue is recognised based on monthly recurring revenues over the period of the contract.

Recurring service revenues are collectively referred to as Traffic Enforcement as a Service revenues (TRaaS).

Other operating income

Revenue from activities outside the Group's primary operations has been recognized as "other operating income".

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Income from dividends is recognized when the right to receive payment has been determined. No dividend has been allocated for 2019.

TRANSFER PRICING

The pricing of transactions, such as purchases and sales of goods and services between Group companies, takes place on the basis of market conditions.

EMPLOYEE BENEFITS

Pension commitments

Within the Group, there are only defined-contribution plans. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity and, therewith, has no obligation to pay additional premiums. Costs for employees' service during current or previous periods impact the Group's earnings.

Retirement contribution obligations

Defined-contribution pension plans exist for all full time employees, for which the company pays ongoing established charges to a separate legal entity, such as an insurance company, and consequently does not have any legal or informal obligation to pay further charges. The company's costs for these are reported as a cost during the period when the employees concerned have performed the services related to such cost.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options are charged to the consolidated statement of comprehensive income over the vesting period with a corresponding increase in equity as of the date of grant. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Employee options

The Company has established a long term incentive program for the CEO Ivo Mönnink in 2017. The fair value of the option granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- » Including any market performance conditions (the entity's share price)
- » Excluding the impact of any service and non-market performance vesting conditions (remaining an employee over a specified period of time)
- » Including the impact of non-vesting conditions (requirement to hold shares for a specific period of time)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period,

the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Severance pay

Severance pay is paid when an employee's employment has been terminated before the normal retirement age or when an employee accepts voluntary redundancy in exchange for such payment. The company recognises severance pay when it is demonstrably obliged to either terminate the employment of employees under a detailed formal plan with no possibility of withdrawal or to pay compensation upon termination as a result of an offer to encourage voluntary.

RESEARCH AND DEVELOPMENT

Development costs that are expected to generate probable future economic benefits and controlled by the Parent company are capitalized as intangible assets. All other research and development expenditure is recognized in the income statement as incurred. Development costs capitalized as intangible assets are valued as the total of direct costs plus reasonable amounts for indirect costs.

LEASES

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Such an assessment is performed at the inception of a contract.

An identified lease agreement is further categorized by the group as a low-value asset (<SEK 50,000), a short-term lease (<12 months) or a standard lease agreement (> 12 months). The group's definition of low-value assets comprises all assets of a value less than SEK 50,000 when new. Short-term leases are defined as leases with a lease term of 12 months or less. Lease payments related to short-term leases and leases of low value assets are recognized as operating expenses on a straight-line basis over the term of the lease. A standard lease agreement is an agreement for which a right-of-use asset and a corresponding lease liability are recognized at commencement of the lease, i.e. when the assets are available for use. The group's right-of-use assets and its long-term and short-term lease liabilities are presented as separate line items in the consolidated balance sheet. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability is determined as the present value of all future lease payments at the commencement date, discounted using the Group's calculated incremental borrowing rate determined by country and contract duration (>12-48 months, >48 months).

The following lease payments are included in the measurement of a lease liability:

- » fixed payments, less any lease incentives;
- » variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- » amounts expected to be payable under residual value guarantees;

- » the exercise price of a purchase option if reasonably certain to exercise that option, and
- » payments of penalties for terminating the lease, if the lease term reflects the exercise of that option.

Variable lease fees that do not depend on an index or rate (including property tax related to leased buildings) are not included in the measurement of the lease liability. The related variable payments are charged to the consolidated income statement as incurred.

The lease liability is subsequently measured by reducing the carrying amount to reflect the lease payments made and by increasing the carrying amount to reflect interest on the lease liability, using the incremental borrowing rate, when the implicit interest rate is unknown. A right-of-use asset is measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs, and restoration costs with the corresponding obligation recognized and measured as a provision under IAS 37.

The right-of-use asset is subsequently measured at cost less accumulated depreciation, any impairment losses as well as any remeasurement of the lease liability. A remeasurement of the lease liability, and a corresponding applicable adjustment to the related right-of-use asset, is performed when:

- » the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- » the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

BORROWING COSTS

The Group capitalizes borrowing costs which are directly attributable to the purchase, construction or production of an asset, and where a considerable amount of time is required to prepare the asset for use or sale, as a portion of the asset's cost. Other borrowing costs are recognized as expenses in the period in which they arise.

INCOME TAXES

Reported income tax includes tax which is to be paid or received for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax. The measurement of all income tax liabilities and assets is performed at nominal amounts, applying the tax rates and provisions that have been enacted, or substantially enacted, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. In the case of items recognized in profit or loss, related tax effects are also recognized in profit or loss. The tax effects of items that are recognized directly in shareholders' equity are also recognized directly in shareholders' equity. Deferred income tax is calculated

using the balance-sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These temporary differences have primarily arisen through consolidation adjustments. Deferred tax assets pertaining to future tax deductions are recognized to the extent that it is probable that such deductions can be netted against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are not recognized in the consolidated accounts as the Parent Company can, in all cases, control the date for a reversal of the temporary differences and it is not assessed as probable that a reversal will take place within the foreseeable future. The reporting of deferred tax is based on effective tax rates.

CASH-FLOW STATEMENT AND CASH EQUIVALENTS

The cash-flow statement has been prepared using the indirect method. The recognized cash flow includes only those transactions that have resulted in receipts or payments.

Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. In both 2019 and 2018, cash and cash equivalents were comprised solely of cash and bank balances.

FINANCIAL GUARANTEES/FROZEN ASSETS

The Company's financial guarantees refer to guarantees for individual customer projects such as guarantees against advances, tenders, fulfilment and warranties. Under a financial guarantee, the Company undertakes to compensate the holder of the guarantee for any losses incurred by the same, due to the Company's failure to fulfil its contractual obligations.

INTANGIBLE FIXED ASSETS

Goodwill

Goodwill consists of the amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired. Goodwill on the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested annually to identify any need for impairment and is recognized at cost less accumulated impairment. The gain or loss on the sale of an entity includes the remaining carrying amount for goodwill pertaining to the entity sold. Goodwill is allocated to cash-generating units when testing for any impairment requirement. This allocation is made to the cash-generating units that are expected to benefit from the business combination giving rise to the goodwill item. The Group allocates goodwill to all lines of business.

Customer contracts and Customer relations

This item includes customer contracts that arose in connection with the acquisition of Gatso Beheer BV in 2015. These contracts are operated under the segment Managed Services, and focuses on large and smaller managed ser-

VICES contracts where the ownership of the equipment remains with Sensys Gatso, and recorded on the balance sheet under fixed assets in operation. The Group is responsible for the entire value chain; system operations, sending out fines and receiving payments on the behalf of our customers. Customer contracts normally run for 3-5 years with a considerable possibility of extension. Customer contracts are amortised over 2-7 years, depending on the length of the customer contracts.

Brands

This item mainly includes assets in the form of brands, which have arisen in conjunction with the acquisition of subsidiaries. These are valued at the fair value on the acquisition date and, thereafter, less amortisation and impairment. Brands are amortised over a period of 10 years.

Product and software development

The Group's technology is based on internally developed radar sensors, which is the core component of the Group's products. Costs closely associated with the development of technology which is controlled by Sensys Gatso Group and is likely to yield financial benefits are recognized as intangible assets. The related projects have been valued as the total of direct costs plus reasonable amounts for indirect costs. Development costs incurred in connection with product adaptations for an existing project are recognized in the income statement. Product and software development is amortized over 3-10 years.

Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to amortization and, instead, are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In those cases in which the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately impaired down to the recoverable amount. The recoverable amount is the greater of an asset's fair value, less selling expenses and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows (cash-generating units).

TANGIBLE FIXED ASSETS

All fixed assets (Leasehold improvement, Furniture's & fixtures and Fixed assets in operations) are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenses are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is likely that future economic benefits associated with the asset will occur to the Group, and when the asset's cost can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they arise.

DEPRECIATION and AMORTISATION

Intangible assets and property, plant and equipment are amortised/depreciated on a straight-line basis over the length of their useful life as of the moment they are ready to be taken into use as follows:

- » Leasehold improvement 10 years
- » Furniture's & fixtures 2-5 years
- » Fixed assets in operations 5 years
- » Customer contracts 2-7 years
- » Brand 10 years
- » Product and software development 3-10 years

INVENTORIES

Inventories are reported using the first-in, first-out method at the lower of cost and net realizable value on the closing date. The valuation of work in progress and finished products includes design costs, direct labor costs and other direct costs with a reasonable mark-up for indirect costs (based on normal production capacity). This item excludes borrowing costs. Net realizable value is the estimated selling price in the ongoing course of business, less any applicable variable selling expenses.

FINANCIAL INSTRUMENTS

Financial assets at amortised cost

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Trade and other receivables principally arising from sales of goods and services to customers are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on aging and historical and considered future credit losses, resulting in fully impairing receivables past due greater than 12 months. From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position. The company currently does not have financial assets at fair value through the profit and loss or through Other Comprehensive Income.

Financial liabilities at amortised cost

The Group's financial liabilities measured at amortised cost comprise borrowings from credit institutions, liabilities to shareholders, trade payables and other short-term monetary liabilities in the consolidated statement of financial position.

Borrowings from credit institutions and liabilities to shareholders are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The company currently does not have financial liabilities at fair value through the profit and loss or through Other Comprehensive Income.

SHAREHOLDERS' EQUITY

Transaction costs which are directly applicable to the issue of new shares or share options are recognized, net after tax, in shareholders' equity, as a deduction from the proceeds of the issue. In the case of a repurchase of shares, retained earnings are reduced by the amount paid for the shares. When treasury shares are sold, retained earnings increase by the amount received.

Earnings per share

Earnings per share are calculated as net profit/loss for the year in accordance with the income statement in relation to the average number of shares outstanding before and after dilution.

Dividends

Dividends to Sensys Gatso Group's shareholders are recognized as liabilities in the Group's annual accounts in the period in which the dividends were adopted by the Parent Company's shareholders. No dividend has been allocated for 2019.

PROVISIONS

Provisions for product warranties are based on current volumes of products sold still under warranty and on historical rates of warranty claims for mature products as well as estimates and assumptions regarding quality and future warranty claims for new estimates and estimated cost to remedy the various warranty claims that may occur. For information about warranty provision see note 19.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The preparation of the annual accounts requires that qualified estimates and assessments be made for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Estimates and assessments can affect the income statement and the balance sheet, as well as any additional information which has been reported in the annual accounts. Consequently, changes in valuations and assessments can lead to changes in the annual accounts.

Goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 9).

Deferred tax assets

In previous years, Sensys Gatso Group has reported negative results and has consequently accumulated unutilized tax losses. The future utilization of these tax losses depends upon taxable profits. For further information, see note 11.

Inventory

Inventory is valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made.

RISKS AND UNCERTAINTIES

Significant risks and uncertainties faced by the company include commercial risks associated with customers and suppliers, as well as other external factors. 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. A description of material financial and commercial risks faced by the company is given in note 24.

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. RFR 2 stipulates that, in its annual accounts, the Parent Company is to apply International Financial Reporting Standards (IFRS) as endorsed by the EU, where this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the connection between accounting and taxation. RFR 2 specifies the exceptions and supplements to be applied in relation to IFRS. Identified differences between accounting policies of the Group and the Parent Company mainly refer to IAS 12 Income taxes.

Shares in subsidiaries

Shares in subsidiaries are recognized at acquisition cost less any impairment. The acquisition cost includes acquisition-related costs and any contingent consideration. When there is an indication that shares in subsidiaries have decreased in value, an estimate of the recoverable amount is made. If this amount is lower than the carrying amount, impairment is made. Impairment losses are recognized in the items "Income from participations in Group companies".

APPLICATION OF NEW OR AMENDED STANDARDS

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. 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. 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.

In note 7 the impact of the initial application is disclosed.

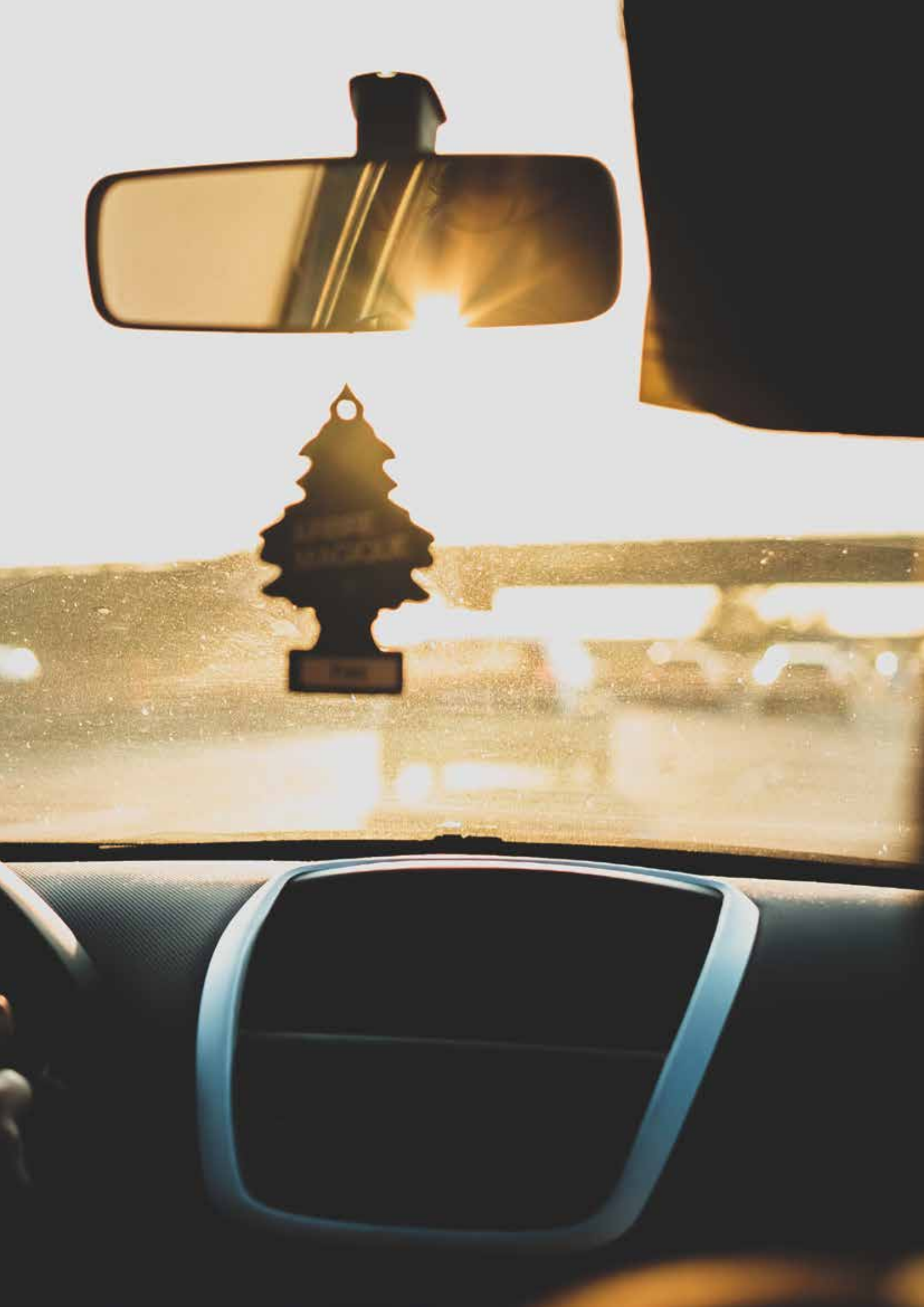
IFRIC 23 clarifies the accounting for uncertainties in income taxes.

Based on our assessment IFRIC 23 has no impact on our financial statements.

Other changes in standards

New standards that are not yet applicable in 2019 have been assessed. We do not foresee an impact.





Notes on the accounts, Group

All amounts are expressed in SEK '000 unless otherwise stated.

Note 1 Segment reporting and total sales

The Group reports in two business segments, Systems Sales and Managed Services. These two main segments are used for internal reporting and managing the different operations.

System Sales

In System Sales, the ownership of the equipment is transferred to the customer. Normally, the equipment is sold to a distributor who handles installations and basic support. System Sales also provides additional sales in the form of annual verifications, support and service, which are included in the net sales of the segment. The business is generally highly volatile with a few large contracts and many smaller deals, where the former normally entail higher margins. Hence, the mix of large and small contracts has a significant impact on profitability from one quarter to another.

Managed Service

The segment operating managed services focuses on large and smaller managed services contracts where the ownership of the equipment remains with Sensys Gatso. The Group is responsible for the entire value chain; system operations, sending out fines and receiving payments on the behalf of our customers. These systems are recorded on the balance sheet under fixed assets in operations. Customer contracts normally run for 3-5 years with a considerable possibility of extension. Sales are normally stable throughout the year.

	2019			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
Total Net Sales	311,461	94,864	406,325	310,359	69,995	380,354
EBITDA	21,184	7,383	28,567	19,339	18,224	37,563
Depreciation and amortization	-19,838	-33,121	-52,959	-11,049	-25,925	-36,974
Operating Profit	1,346	-25,738	-24,392	8,290	-7,701	589
Net financial items			-3,137			-1,685
Profit before tax			-27,529			-1,096
Tax			12,418			-1,376
Profit for the period			-15,111			-2,472

In 2019, the Group had one customer in the segment System Sales whose share of the company's total net sales exceeded 10 percent.

In 2018, the Group had one customer in the segment System Sales whose share of the company's total net sales exceeded 10 percent.

Non-current assets (excluding financial instrument and deferred tax)	2019	2018
Sweden	24,511	5,571
Non-Sweden	386,675	360,822
Total	411,186	366,393

Note 2 Salaries, other remuneration and social insurance contributions

Number of employees at year-end	2019			2018		
	Women	Men	Total	Women	Men	Total
Holland	8	60	68	8	59	67
Sweden and branch offices	3	34	37	4	30	34
Australia	10	45	55	7	21	28
Germany	1	3	4	1	4	5
USA	35	39	74	25	26	51
Amsterdam	3	9	12	-	8	8
Parent Company	0	2	2	-	2	2
Total	60	192	252	45	150	195

Board members and group management, Group	2019			2018		
	Women	Men	Total	Women	Men	Total
Board Members	3	2	5	3	3	6
Group Management	-	4	4	-	4	4
Total	3	6	9	3	7	10

Employees Full-time equivalent	2019	2018
Holland	62	62
Sweden and branch offices	33	33
Australia	44	23
Germany	4	5
USA	47	30
Amsterdam	11	8
Parent Company	1	1
Total	202	162

	Salaries and other remunerations		Social securities		Pension contributions		Total		
	2019	2018	2019	2018	2019	2018	2019	2018	2018
Parent Company	4,215	5,572	314	186	0	162	4,529		5,920
Subsidiaries	134,993	109,979	18,140	13,550	10,651	9,343	163,784		132,872
Group	139,200	115,551	18,454	13,736	10,651	9,505	168,313		138,792

VARIABLE REMUNERATION, PARENT COMPANY

The parent company has two employees consisting of the CEO and CFO, who are both employed for 50 % by the parent company and 50% by Sensys Gatso Group BV.

Variable remuneration for the CEO

The agreement for the CEO applies since 2017. The variable remuneration is based on net sales and EBITDA, and is subject to an upper limit of 50% annual salary. Remuneration of TSEK 440 (0) has been paid out during 2018.

Share based payment CEO

The CEO will, under the program, be granted, free of charge, options subject to three year vesting (October 2017 - September 2020) that entitled to acquire not more than 6,000,000 shares in the Company. The exercise price is SEK 0.81 corresponding to 130 percent of the volume weighted average price of the Company's shares on Nasdaq Stockholm for the period from and including 28 September 2017 to and including 11 October 2017. The maximum number of shares that may be issued pursuant to an exercise of options under the program is 7,980,000 shares (including exercise of warrants for hedging of social security costs), corresponding to a maximum dilution of approximately 1.0 percent.

The fair value of the share option at the end of the financial year 2019 amounted to SEK 680.096 (377.830) The fair value adjustment in 2019 of SEK 302,266 (361,372) has been recognised as employee benefits expense, with a corresponding increase in equity.

Variable remuneration for the CFO

The agreement for the CFO applies since 2018. The variable remuneration is based on net sales and EBITDA, and is subject to an upper limit of 40% annual base salary. Remuneration of TSEK 199 (0) has been paid out during 2019.

Agreements regarding severance pay

For the CEO and CFO the Company has a severance agreement of 3 months in place. The Company does not have any signed agreements regarding severance pay or similar benefits to Members of the Board, or other senior executives.

VARIABLE REMUNERATION IN SUBSIDIARIES

Other group executives

The other group executives are employed or contracted in the subsidiaries. Employees or contracted in the subsidiaries are Joris Lampe (CTO), Timo Gatsionides (CTO) as Group Management Team executives and the Extended Management Team executives Niki Gatsionides, Jörgen Andersson, Enzo Dri, Andrew Noble, Rich Kosina and Edmar van der Weijden.

Variable remuneration for other group executives and management

The agreement for the senior executives and management team applies since 2017. The variable remuneration is based on regional performance and group performance. The remuneration is subject to an upper limit of 6 months salaries. Remuneration of TSEK 1,478 (0) has been paid out during 2019.

There are separate agreements for variable remuneration in the different subsidiaries.

Variable remuneration for employees

For employees in the subsidiaries variable remuneration agreements are in place. The variable remuneration is dependent on results of the individual subsidiaries and maximized at 3 months salary, depending on the performance of the individual employee.

Variable remuneration is paid in the year after the financial year. Variable remuneration paid out in 2019 totalled TSEK 5,417 (0).

Remuneration of the Board of Directors, the CEO and other senior executives

Parent Company	Board Fee	
	2019	2018
Chairman of the Board, Claes Ödman	400	400
Board member, Katarina Staaf (until May 2019)	83	200
Board member, Kerstin Sjöstrand	200	200
Board member, Pia Hofstedt	200	200
Board member, Jochem Garritsen	200	200
Board member, Christina Hallin (from May 2019)	117	-
Board member, Ingemar Skogö (until May 2019)	67	200
Total Remuneration Board of directors	1,267	1,400

Remuneration and other benefits for Group Management	Basic Salary		Variable Remuneration		Other benefits		Pension Expenses		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Managing Director and CEO, Ivo Mönnink	2,796	2,646	440	861	416	206	407	794	4,059	4,507
Other senior management (3 individuals)	4,852	4,770	199	831	175	323	206	168	5,432	6,092

Note 3 Total sales

Net sales by region	2019	2018
Europe	188,196	172,219
America	103,107	70,362
Middle East and APAC	115,022	137,768
Total	406,325	380,349

Nature of sales	2019	2018
One-off	229,150	238,820
Recurring	177,175	141,529
Total	406,325	380,349

Nature of services	2019	2018
System sales	229,150	234,902
Service and maintenance	79,021	67,738
Licences	3,468	7,836
Managed services	94,686	69,873
Total	406,325	380,349

The company has two segments, System Sales and Managed Services. The segment System Sales consists of project related and repeat sales of solutions including (recurring) maintenance. The sales in this segment has a good global spread, mainly in the sales regions Europe, Middle East and APAC. The segment Managed Services consists of Managed Services activities where we deliver the technology, process violations, issue citations, collect the fines and deliver helpdesk support. In this segment we also report our software development and maintenance activities related to Managed Services. The sales in this segment are mainly from the sales region of America. See note one for the performance per segment.

	Contract Assets		Contract liabilities	
	2019	2018	2019	2018
At 1 January	10,878	11,812	-32,604	-26,084
Transfers in the period from contract assets to trade receivables	-10,878	-11,812	-	-
Amounts included in contract liabilities that was recognised as revenue during the period	-	-	13,678	26,084
Accrued income	18,243	10,878	-	-
Deferred income	-	-	-1,190	-737
Cash received in advance of performance and not recognised as revenue during the period	-	-	-	-31,867
At 31 December	18,243	10,878	-20,116	-32,604

Contract assets consist of accrued income and contract liabilities out of prepayments from customers and deferred income.

Note 4 Expenses by nature of expense

	2019	2018
Cost for products and goods	160,002	148,246
Depreciation and amortisation	52,960	36,973
Employee benefits and expenses	169,231	139,444
Housing expenses	6,431	13,420
Office expenses	8,296	7,078
Sales expenses	8,494	8,729
Car expenses	1,961	3,924
Development expenses	6,122	2,807
General expenses	17,290	17,300
Financial items	-70	1,839
Total	430,717	379,760

Note 5 Taxes

Corporate income tax	2019	2018
Current tax	4,331	-2,631
Deferred tax	8,087	1,257
Total	12,418	-1,374

Difference between tax expense and tax expense based on applicable tax rate

Recognised profit/loss before tax	-27,529	1,097
Tax at applicable rate	6,882	274
-in %	25.00%	24.98%
Permanent differences	-2,650	182
Tax previous years	99	-888
Movement of deferred taxes	7,721	-
Revaluation of DTA due to changes in tax rates	1,548	-1,424
Translation effects	-1,182	482
Tax on profit/loss for the year in accordance with income statement	12,418	-1,374
Effective tax in %	45.11%	125.25%

Note 6 Depreciation/amortisation

Amortisation of intangible assets was SEK 26.3 million and depreciation of property, plant and equipment totalled SEK 16.6 million. The depreciation of the right of use assets amounted to SEK 10.1 million. During 2019 no impairment was taken (0). Depreciation, amortisation and impairment are specified per function in the income statement as follows:

	Cost of goods sold		Selling costs		Administrative costs		Development costs		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Customer contracts	-	-	14,917	13,766	-	-	-	-	14,917	13,766
Brand	-	-	2,307	2,218	-	-	-	-	2,307	2,218
Other intangible assets	-	-	-	-	-	-	9,050	9,760	9,050	9,760
Improvement expenses leasehold	211	-	110	-	143	-	120	-	584	-
Furniture, Fixtures, Fittings and vehicles	1,768	998	858	893	303	190	400	467	3,329	2,548
Fixed Assets in operation	12,690	8,680	-	-	-	-	-	-	12,690	8,680
Right of use assets	3,370	-	1,838	-	3,939	-	935	-	10,082	-
Total Depreciation and Amortisation	18,039	9,678	20,030	16,877	4,385	190	10,505	10,227	52,959	36,972

Note 7 Leasing

Right of use assets	Premises	Premises	Other	Other	Total	Total
	2019	2018	2019	2018	2019	2018
Opening value	0	0	0	0	0	0
Initial recording	34,725	-	6,478	-	41,203	-
Additions	184	-	901	-	1,085	-
Depreciation	-7,793	-	-2,711	-	-10,505	-
Modification of lease terms	-	-	296	-	296	-
Translation effects	513	-	142	-	655	-
Closing value	27,629	0	5,105	0	32,735	0
Lease liability	Premises	Premises	Other	Other	Total	Total
	2019	2018	2019	2018	2019	2018
Opening value	0	0	0	0	0	0
Initial recording	34,725	-	6,478	-	41,203	-
Additions	184	-	901	-	1,085	-
Interest expense	1,382	-	221	-	1,603	-
Modification of lease terms	0	-	295	-	295	-
Lease payments	-8,509	-	-2,857	-	-11,366	-
Translation effects	485	-	145	-	630	-
Closing value	28,267	0	5,183	0	33,450	0

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 numbers presented under the 2018 Lease Liability Aging have not been restated.

Operating lease commitments	Premises	Other	Total
	2018	2018	2018
less than one year	6,422	3,486	9,908
1-5 years	14,252	2,544	16,796
more than 5 years	3,900	0	3,900
	24,574	6,030	30,604

Reconciliation	1 January 2019
Operating lease commitments 31 December 2018	30,604
Less: short-term leases not recognised	-309
Less: low value leases not recognised	-175
Plus: effect of extensions	16,297
Undiscounted lease payments	46,417
Less: effect of discounting using incremental borrowing rate	-5,215
Lease liability 1 January 2019	41,203

In 2019 the short term leases amounted to 309 TSEK. In 2019 the low value leases amounted to 335 TSEK.

Note 8 Profit/loss from financial activities

	2019	2018
Interest and similar profit/loss items		
Interest income on bank deposits	-	4
Exchange rate gains on bank deposits or other loans	2,572	4,227
Other financial income	-	-
Total financial income	2,572	4,231
Interest expense on financial liabilities		
Interest expense on loans	2,826	2,326
Exchange rate losses on bank deposits or other loans	1,277	3,588
Other financial expenses	-	2
Interest lease liability	1,606	-
Total financial costs	5,709	5,916
Profit/Loss from financial investments	-3,137	-1,685

Note 9 Intangible fixed assets

Consolidated Intangible fixed assets	Goodwill		Customer contracts/ Customer relations		Brand		Product & software development		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening accumulated acquisition value	251,257	239,166	93,937	90,088	22,295	21,372	74,690	68,534	442,179	419,160
Internal development							3,653	5,088	3,653	5,088
Translation effects	5,907	12,091	3,778	3,849	519	923	1,184	1,069	11,388	17,932
Closing accumulated acquisition value	257,164	251,257	97,715	93,937	22,814	22,295	79,527	74,690	457,220	442,179
Opening accumulated amortisation	-	-	-70,711	-54,628	-7,624	-5,181	-40,319	-29,654	-118,654	-89,465
Amortisation for the period	-	-	-14,917	-13,766	-2,307	-2,218	-9,050	-9,760	-26,274	-25,744
Translation effect	-	-	-1,734	-2,317	-145	-225	-663	-905	-2,542	-3,445
Closing accumulated amortisation	0	0	-87,362	-70,711	-10,076	-7,624	-50,032	-40,319	-147,470	-118,654
Opening accumulated impairment	-	-	-	-	-	-	-	-	-	-
Closing accumulated impairment	-	-	-	-	-	-	-	-	-	-
Translation effects	-	-	-15	850	-	-17	87	28	72	861
Carrying amount	257,164	251,257	10,338	24,076	12,738	14,654	29,582	34,399	309,822	324,386

Goodwill

Goodwill is not subject to amortisation but is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be subject to impairment. For the purpose of assessing impairment, goodwill is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group performed a test for each cash generating unit (CGU), to assess whether any need for impairment exists for goodwill in line with the applied accounting policies. The Group reports in two business segments, System Sales and Managed Service. These segments represent the cash generating units. The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future cash flows expected to arise from the CGU, including capital expenditures and investment in working capital, to arrive at free cash flow forecasts for each unit.

The model includes the latest forecast for 2019 at the time of testing in November 2019 as a reference and uses the five year business plan for each unit, approved by the board of directors, as a starting point. The budgets and forecasts were built-up from the entities in collaboration between entity General Managers and Group Management.

The future cash flows per CGU are calculated based on the the five year the business plans of the entities belonging to that CGU. Cash flows beyond the five-year period are extrapolated based on the long-term growth, estimated at 2%, in line with the inflation rate.

The discount rate after tax which has been applied to calculate the present value of the future cash flows is approximately 9.4% (9.4) for both System Sales and Managed Services. The input used to calculate the discount rate for the two segments varies slightly. However, due to different tax percentages used in different countries, the net effect results in a similar discount rate for both segments.

SIGNIFICANT ASSUMPTIONS

Market share and growth

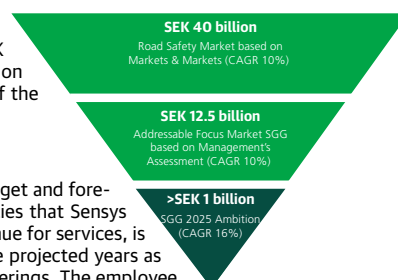
The forecasts are based on the company history and previous management experience, as well as external sources like the "MarketsandMarkets" report on Road safety market, press releases and investor presentations from competition. The growth estimated by "MarketsandMarkets" for the Road Safety Market overall amounts to approximately 10%. The part of the Road Safety Market relating to our segment Managed Services, is projected to grow approximately 13%.

Sensys Gatso Group

Sensys Gatso as a group has communicated its long-term financial ambition for 2025, set at SEK 1 billion revenue, of which SEK 600 million in TRaaS recurring revenue, with an EBITDA ambition greater than 15%. These long-term financial metrics are the base for the impairment testing of the segment's goodwill.

System Sales

The revenue in the segment System Sales is volatile during the quarters and over years. The budget and forecast under the business plan has been built-up from the individual entities and the opportunities that Sensys Gatso sees for the next coming years. The revenue in this segment, including the recurring revenue for services, is projected to grow by approximately 15% per year. The EBITDA is expected to improve over the projected years as a result of the effects of expected further integration of the company's product and solution offerings. The employee expenses and other operating costs are expected to grow with less than 50% of projected annual sales growth. The projection of employee expenses and other operating costs have been made by entity and by department based on the identified sales opportunities.



Managed Services

Managed Services is a market of growth for the Sensys Gatso Group and management foresees a significant growth with more than doubled revenue in the coming five years' time. The estimation of EBITDA and operating cash flow in this CGU will be in line with the growth of revenue. This business segment has a highly flexible organisation, employees being part time processors and operators. With growth of revenue, the direct costs of processing and operating is forecasted to increase. The current organisation of fixed employees is deemed to be sufficient to support the projected growth.

Exchange rates

The results of the Sensys Gatso Group are influenced by exchange rate fluctuations. As set out in note 24 of this report, the largest exposure to changes in currency is with EUR/SEK and USD/SEK exchange rate. The exchange rates used for these main currencies in the forecast are EUR 10.40 and USD 9.5.

Sensitivity analysis

Management has performed a sensitivity analysis per segment on an increased investment of 1%, an adjustment of EBITDA of -2%, an adjustment in long-term growth of -2% and an adjustment of the WACC of 2%. The sensitivity analyses performed are based on a change in an assumption or a combination of two assumptions while holding the other assumptions constant. The recoverable amount exceeds the carrying amount of goodwill. The overall outcome of the sensitivity analysis for both segments does not give any sign of impairment.

Goodwill is distributed among the Group's cash-generating units (CGUs) and identified as follows (TSEK):

Group	2019	2018
System Sales	170,923	167,959
Managed Services	86,241	83,298
Total	257,164	251,257

The movement in goodwill valuation in both segments relates to currency effects. No impairments were taken in 2019 (0).

Note 10 Property, plant and equipment

Tangible fixed assets	Leasehold improvement		Furnitures, fixtures, etc		Fixed Assets in operation		Total		
	2019	2018	2019	2018	2019	2018	2019	2018	
Opening accumulated acquisition value	19,139	16,579	32,472	27,515	136,205	117,172	187,816	161,266	
Acquisitions	1,031	1,972	6,363	3,995	34,043	12,219	41,436	18,187	
Disposals	-	-	-72	-60	-3,130	-1,613	-3,202	-1,673	
Movements between categories	-512	-	832	-	-320	-	-	-	
Translation effects	213	589	-6,979	1,022	4,877	8,427	-1,889	10,037	
Closing accumulated acquisition value	19,871	19,139	32,616	32,472	171,675	136,205	224,163	187,817	
Opening accumulated depreciation	-15,769	-14,473	-25,212	-20,533	-99,252	-86,003	-140,233	-121,009	
Disposals	-	-10	-	-1,521	2,280	265	2,280	-1,266	
Depreciation for the period	-584	-254	-3,077	-2,294	-12,942	-8,680	-16,603	-11,227	
Movements between categories	-	-	-128	-	128	-	-	-	
Translation effects	-333	-1,032	5,139	-865	-2,000	-4,834	2,806	-6,731	
Closing accumulated depreciation	-16,686	-15,769	-23,278	-25,212	-111,786	-99,252	-151,751	-140,233	
Opening accumulated impairment	-	-	-1,843	-1,843	-3,613	-3,318	-5,456	-5,161	
Translation effects	-	-	-	-	-165	-152	-165	-152	
Disposals	-	-	1,843	-	-	-143	1,843	-143	
Closing accumulated impairment	0	0	0	-1,843	-3,778	-3,613	-3,778	-5,456	
Translation effects	-6	-3	-	-118	-	-	-6	-121	
Carrying amount	3,179	3,367	9,338	5,299	56,110	33,340	68,626	42,006	

Note 11 Deferred taxes

Deferred tax recoverable	2019	2018
Opening deferred tax recoverable	37,417	38,440
Utilization of deferred tax	-4,636	-5,458
Additions	10,458	3,414
Effect of change in tax rate	1,548	-1,424
Translation effects	528	2,445
Closing deferred tax assets	45,315	37,417

The deferred tax assets can be specified as follows:	2019	2018
Other	509	497
Inventory	2,903	2,903
Loss carried forward	41,903	34,017
Total deferred tax assets	45,315	37,417

Deferred tax liabilities	2019	2018
Opening deferred tax liability	16,824	23,226
Release relating to depreciation on intangible fixed assets	-6,417	-7,587
Translation effects	-653	1,185
Closing deferred tax liabilities	9,754	16,824

Deferred taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

In cases where the company has reported losses in recent years, deferred tax recoverable relating to previous losses is only recognised to the extent that there are compelling circumstances indicating that it will be used to offset future taxable profits.

Within the Group there is an extensive budget and forecast process in order to verify the value of the deferred tax assets. Budgets and forecasts are built-up from the entities in collaboration between entity General Managers and Group Management. Furthermore, there are also verifiable circumstances in the form of the current order backlog and agreements with customers as underlying information to the budget and forecast process. These budgeted and forecasted numbers of future sales and profit is matched towards the tax assets in order to measure the number of profitable years needed for utilisation of the total value of the tax assets.

As per December 2019, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of TSEK 156,211 (161,386). Approximately SEK 90.5 (95.9) million has been accounted for in the deferred tax asset to the amount of SEK 18.6 (19.8) million.

Due to changes in corporate income tax rates in Sweden, the Deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at the new tax rate as of year 2021 of 20.6 percent. The revaluation due to the change in tax rate has been accounted for in the financial year 2018.

In the year 2019 the parent company has made a profit. Based on continued future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to continue contributing to the future profits by entries into new markets and a broader product range that can be offered to existing customer relations. In 2018 and 2019 the results for Sensys Gatso Sweden AB have been positive. Based on these assumptions, management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

In the US Sensys Gatso has recognised deferred tax assets for operating losses which can be utilised with future profits. The total unutilised tax losses amount to SEK 62.0 million, corresponding to USD 6.6 million. Based on the current estimated tax profits the company expects to utilise the total tax losses before expiration. The tax losses are recognised in a deferred tax asset to the amount of SEK 15.5 (10.9) million.

Based on profits in the Dutch fiscal unity, which includes all Dutch subsidiaries, the company has utilised the deferred tax asset of SEK 3.4 million, corresponding to approximately SEK 14.5 million in losses occurred in 2018. No losses carried forward remain within the Dutch fiscal unity.

Furthermore a deferred tax assets of SEK 8.3 million is recognised relating to Sensys Gatso Australia Pty Ltd for temporary differences and losses carried forward to the amount of SEK 27.8 million. Based on Management's assessment we see future profits to offset the losses carried forward.

Note 12 Inventories

	2019	2018
Opening acquisition value	96,177	85,650
Movement in inventory	13,450	8,437
Translation effects	1,236	2,090
Closing acquisition value	110,863	96,177

Change in provision for doubtful inventory	2019	2018
Opening provision	-24,313	-23,139
Addition	196	-728
Translation effects	-195	-446
Closing provision	-24,312	-24,313
Carrying amount	86,551	71,864

Note 13 Trade receivables

Trade receivables	Trade receivables	Trade receivables past due and impaired	Total before impairments	Impairments for doubtful trade receivables	Total
	2019	2019	2019	2019	2019
Trade receivables not yet due	39,545	0	39,545	0	39,545
< 3 months	24,680	0	24,680	0	24,680
3-12 months	2,372	0	2,372	0	2,372
>12 months	8,823	9,206	18,029	-9,206	8,823
	75,419	9,206	84,625	-9,206	75,419
	2018	2018	2018	2018	Total
Trade receivables not yet due	45,320	-	45,320	-	45,320
< 3 months	8,323	-	8,323	-	8,323
3-12 months	2,357	-	2,357	-	2,357
>12 months	935	26,950	27,885	-26,950	935
	56,935	26,950	83,885	-26,950	56,935

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on aging and historical credit losses, resulting in fully impairing receivables past due greater than 12 months. As Sensys Gatso's customers are governments or partners dealing with governments, we assess the risk of non-payment on receivables until 12 months to be low and not significant.

Change in provision for doubtful trade receivables	2019	2018
Opening provision for impairments	26,950	25,344
Confirmed losses	-18,708	-
Reversed, Unutilized provisions for impairments	-85	-100
Addition in the year	1,167	76
Translation effects	-118	1,630
Closing provision	9,206	26,950

Confirmed losses related to receivables impaired in previous years that have been recorded as a confirmed loss in 2019.

Note 14 Prepaid expenses and accrued income

Prepaid expenses and accrued income	2019	2018
Prepaid lease payments and deposits (property and other)	2,210	1,826
Accrued income	18,243	10,878
Other items	7,478	4,071
Total	27,931	16,775

Note 15 Bank overdraft facilities and other borrowing

The Group's interest-bearing borrowings	2019	2018
Due dates for long-term loans:		
Within one year	56,539	10,199
Between one and five years	39,387	48,692
More than five years	-	-
Total	95,926	58,891
Short-term borrowings (shareholder), EUR	10,449	10,199
Short-term borrowings (banks), USD	37,523	-
Short-term borrowings (banks), EUR	8,567	-
Total	56,539	10,199
Long-term borrowings (shareholder), EUR	39,387	48,692
Total	39,387	48,692

The average interest on the Vendor loan has been SEK 0.

Note 16 Financial instruments

Financial assets at amortised costs	2019	2018
<i>Assets as per balance sheet</i>		
Trade receivables	75,419	56,935
Accrued income	18,243	10,878
Cash and bank balances	52,373	76,607
Total	146,035	144,420

Other financial liabilities at amortised costs	2019	2018
<i>Liabilities as per balance sheet:</i>		
Borrowings	46,090	-
Liabilities to shareholders	49,836	58,891
Trade payables	47,237	27,996
Other liabilities	12,284	10,648
Total	155,447	97,535

There are no financial assets at fair value through the profit.

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Note 17 Financial activities

	2018	Cashflow	IFRS 16 leasing	Liabilities to shareholders	Foreign exchange and present value change	2019
Long term borrowing	48,692		23,110	-10,449	1,144	62,497
Short-term borrowing	10,199	35,891	10,339	10,449		66,878
Share and other contributed capital	465,596					465,596
Closing liabilities to shareholders	524,487	35,891	33,448	0	1,144	594,970

Note 18 Transactions with shareholders

Liabilities to shareholders	2019	2018
Non-current subordinated loan	20,898	20,551
Non-current liabilities vendor loan	18,489	28,141
Current liabilities vendor loan	10,449	10,199
Closing liabilities to shareholders	49,836	58,891
Non-current liabilities to shareholders	2019	2018
Opening liabilities	48,692	55,908
Change in present value	621	793
To current liabilities to shareholders	-10,449	-10,199
Currency adjustments	523	2,190
Non-current liabilities	39,387	48,692
Current liabilities to shareholders	2019	2018
Opening liabilities	10,199	15,993
Current part of promissory note	10,449	10,199
Off-set vendor loan in New share issue	-	-17,502
Repayment	-10,199	-
Currency effects	-	1,509
Current liabilities	10,449	10,199

In 2015 the company has 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. In 2019 Sensys Gatso has repaid the vendor loan installment due, to the amount of EUR 1 million. The remaining part of the vendor loan amounts to TSEK 28,938.

The table below shows the remaining installment for the next four years according to the vendor loan agreement.

Vendor loan (nominal value) installments (KEUR)	2018	Repayment 2019	Balance 2019
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
Total	3,840	-1,000	2,840

Related party transactions	Shareholders	Directors
Rental costs premises	1,724	-
Interest costs loans	1,270	-
Management fee	-	3,892
Repayment vendor loan	10,199	-

Related party positions	Shareholders	Directors
Loans	49,836	-
Management fee		587

Note 19 Provisions

Other provisions	2019	2018
Provision for product warranty	3,991	2,114
Other provisions	660	319
Non current provision	4,651	2,433
Provision for product warranty	5,381	4,475
Other provisions	2,061	2,575
Current provision	7,442	7,050
Total other provisions	12,093	9,483

Provision for product warranty	2019	2018
Opening product warranty 0-360 days	4,474	4,061
Opening product warranty provision > 360 days	2,114	3,444
Opening product warranty provision	6,588	7,505
Buildup and release of product warranty provision during the year	7,016	2,122
Used product product warranty during the year	-4,406	-3,211
Movements during the year	2,610	-1,090
Translation effects	173	172
Closing product warranty provision 0-360 days	5,381	4,474
Closing product warranty provision > 360 days	3,991	2,114
Closing product warranty provision	9,372	6,588

The company accounts for product warranty provisions on delivered products based on contractual agreements.

If warranty claims would increase by 10% in relation to the estimate, the cost for warranty claims would increase by TSEK 938 (659) in 2019.

Note 20 Accrued expenses and deferred income

Prepaid expenses and accrued income	2019	2018
Accrued salaries	7,010	6,168
Holiday pay liability	11,380	8,878
Social charges	2,658	3,409
Deferred income	1,927	737
Other	12,484	8,325
Total	35,460	27,517

Note 21 Audit fees and reimbursement of related costs

	2019	2018
<i>BDO</i>		
Audit assignment	1,966	2,702
Audit advisory	20	625
Tax consulting	1,128	731
Other assignments	371	1,014
Total	3,485	5,072

PwC was group auditor before the appointment of BDO 2018. The total remuneration for audit advisory services of PwC in 2018 amounted to 574 TSEK. PwC also provided Tax consulting services to the amount of 124 TSEK and other assignments of 646 TSEK in 2018.

Note 22 Pledged assets and contingent liabilities

Pledged assets	2019	2018
Guarantees, customer authorities	19,523	17,692
<i>Pledged assets</i>		
Tangible fixed assets	68,628	40,259
Inventory	96,939	66,655
Receivables	75,419	46,785
Total pledged contingent liabilities	260,509	171,391

On behalf of clients, besides the guarantees, the Parent company has provided Parent Company Guarantees that state that the Parent company or any other subsidiary will take over responsibility for projects if the undertaking subsidiary does not deliver. The total amount of Parent Company Guarantees amount to SEK 315 million.

Pledges and securities

Pledges and securities Coöperatieve Rabobank U.A.

The company has access to the following facilities at the Rabobank:

Credit facility I	EUR 2,500,000
Credit facility II	USD 4,000,000
Guarantee Facility	EUR 1,500,000
Guarantee Facility	AUD 500,000

Pledge on present and future receivables arising from trade and business, stock and inventory including machinery and transport vehicles of Sensys Gatso Group BV, FDFJ BV, Gatso Australia Pty Ltd, Sensys Gatso Managed Services BV, Gatso USA Inc., Gatsometer BV and Gatsometer Europa BV.

Pledge on claims arising from credit insurances of Sensys Gatso Group BV, FDFJ BV, Gatso Australia Pty Ltd, Sensys Gatso Managed Services BV, Gatso USA Inc., Gatsometer BV and Gatsometer Europa BV.

The company Sensys Gatso Group BV is jointly liable for the credit and guarantee facilities provided by Rabobank together with her subsidiaries Sensys Gatso Netherlands BV and Sensys Gatso Managed Services BV.

The company has a Debt Service Coverage Ratio and a Solvency ratio agreement with the bank which have to be met each financial year under the agreement of the bank facilities.

Subordination of loan Gatso Special Products BV in Sensys Gatso Group BV with a minimum of € 2.0 million to Rabobank.

Pledges Skandinaviska Enskilda Banken AB

Sensys Gatso Group AB has access to a credit facility amounting to SEK 15 million.

Sensys Gatso Group AB has an absolute EBITDA agreement with Skandinaviska Enskilda Banken AB which have to be met each quarter under the agreement of the bank facilities. Sensys Gatso did not fulfil the financial ratio as required in the contract for the credit facility 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.

Note 23 Events after the balance sheet date

Significant events after the end of the reporting period;

- » 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
- » 20 Feb - Sensys Gatso sets long-term goal of SEK 1 billion in Sales by 2025

Sensys Gatso follows the development of the Covid-19 corona virus and evaluates the extent to which this may affect the company's operations in the short and long term. At present, it is not possible to make an assessment of the extent to which this could possibly affect the business.

Note 24 Risks

Risk management is part of all business operations, and its purpose is to identify, assess, manage and report significant risks. During 2018 the board approved the Risk Policy and the Financial Policy which was implemented during the year. The Group's risk management covers risks associated with individual projects, operational risks and risk of failing to comply with laws and regulations, such as the risks involved in financial reporting. Market risks include the effects of economic conditions, trends, customer development, supplier dependence, political decisions and competition. Risks also include technological risk and production disturbances as well as the capacity to attract and retain key individuals. Financial risks include existing financing, options for future financing and currency- and interest risks. Legal risks consist of legislation, regulations, insurance, public authorities and supervisory bodies, as well as disputes and claims for damages. Risks that are managed well can lead to opportunities and generate value, while risks that are not dealt with correctly can cause damages and unnecessary costs for the company. For this reason, the ability to identify risk factors and manage risks is an important part of the company's operational activities.

FINANCIAL RISKS

Sensys Gatso is exposed to financial risks in its international business due to changes in exchange- and interest rates, as well as liquidity, financing and credit risks. The Group's policy for managing financial risks has been defined by the Board of directors and serves as a framework for risk management.

CURRENCY RISK

Currency risk refers to the fluctuations in exchange rates having a negative impact on Group's income statement, balance sheet and/or cash flow. Currency risk arises when future business transactions, or reported assets or liabilities, are expressed in a currency which is not the Group's functional currency.

Transaction exposure

In the Group's international operations, some customers pay in their own currency which means that the Group is exposed to transactional currency risks. This kind of currency risk also arises in conjunction with the import of raw material and components in a currency that is not the Group's functional currency. Incoming flows or foreign currencies should be used for payment in the same currency. The subsidiaries within the group perform their business mostly in their functional currencies, therefore limiting transaction exposure risk.

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net assets and earnings, so-called translation exposure. This currency risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statement and balance sheets. Earnings from foreign subsidiaries are translated into Swedish krona based on the average exchange rate for each month. Net assets are translated into Swedish krona based on the exchange rate per last date of the month. The Group's risk exposure in foreign currencies at the end of 2019, expressed in thousands of Swedish krona (TSEK) consisted of the following:

Translation exposure 2019	SEK	EUR	USD	AUD	Total
<i>Assets as per balance sheet:</i>					
Trade receivables	23,676	29,185	12,425	10,132	75,418
Accrued income	0	4,957	0	13,282	18,239
Cash and bank balances	50,458	-1,985	2,301	1,599	52,373
Total	74,134	32,157	14,726	25,013	146,030
<i>Liabilities as per balance sheet:</i>					
Borrowings	-	8,567	37,523	-	46,090
Liabilities to shareholders		49,836	-	-	49,836
Trade payables	14,951	14,369	9,897	8,020	47,237
Liabilities to customers	8,762	9,427	-	-	18,189
Other liabilities	4,325	4,451	2,325	1,183	12,284
Total	28,039	86,650	49,745	9,203	173,636

As indicated by the exposure table above, the Group is primarily exposed to changes in the EUR/SEK exchange rate.

TSEK	Impact on result after tax		Impact on other component in equity	
	2019	2018	2019	2018
EUR/SEK exchange rate +10%	1,346	-209	32,508	34,408
USD/SEK exchange rate +10%	-1,337	-296	942	565
AUD/SEK exchange rate +10%	-1,795	450	3,360	5,320

The largest exposure to changes is in the EUR/SEK exchange rate, but the USD/SEK and AUD/SEK exchange rates are also sensitive to changes, which can affect equity, since the Company has goodwill and other intangible assets in local currencies. The Company has entered into swap contracts to buy the following currencies; SEK 25.9 million (EUR/SEK), USD 3.7 million (EUR/USD) and USD 1.0 million (AUD/USD).

INTEREST RISKS

Sensys holds no interest-bearing assets and, accordingly, the Group's income and cash flow from operating activities are, in all material aspects, independent of changes in market interest rates. The Group's interest-rate risk arises in conjunction with long-term borrowing. The aim is to limit the interest risk in the Group's interest-bearing liabilities. At the closing date, the Group had MSEK 95.6 (58.9) in interest-bearing liabilities and cash and cash equivalents amounted to MSEK 52.4 (76.6). Borrowing on the basis of floating interest rates, exposes the Group to interest-rate risks as regards to cash flow. Borrowing on the basis of fixed interest rates implies an interest-rate risk for the Group in terms of fair value. During 2019, the Group's borrowings largely consisted of credit facilities provided by banks with three months fixed interest rates (EURIBOR and LIBOR). The group's liabilities to shareholders are burdened with three months (EURIBOR) and fixed annual rates on subordinated loans. The interest rates and conditions are consistent with 2018. If interest rates on borrowings had been 10 percents higher/lower in 2019, but all other variables had been constant, then profit or loss before tax for the financial year would have been MSEK 0.4 (0.2) higher/lower, primarily as an effect of higher/lower interest expenses for borrowings with floating interest rates. The Group holds no listed financial instruments.

LIQUIDITY AND FINANCIAL RISKS

Financing risk also refers to risks associated with existing and future financing, refinancing of overdue loans, or difficulties in raising external loans. Liquidity risk refers to the risk of being unable to fulfil payment commitments when they fall due as a consequence of insufficient liquidity. Both of these forms of risk are managed by the company preparing regular cash flow forecasts. The Board closely monitors rolling forecasts for the company's liquidity reserve to ensure that the company has sufficient cash funds to meet the requirements of operating activities. The group has processes in place to monitor the bank covenants and the cash flow and is in control of cash requirements. For the liabilities the company has conventional covenants towards the banks, such as Debt Service Coverage Ratio, Solvency ratio, absolute EBITDA levels and certain restriction for new investments. Sensys Gatso did not fulfil the financial ratio as required in the contract for the credit facility from SEB Banken 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. In 2019 payments of MSEK 10.2 (0.7) have been made on the loans to shareholders and banks. At the end of 2019 the company has used MSEK 46.1 (0.0) of its credit facilities. The table below presents an analysis of the Group's financial liabilities to be settled net, specified according to the contractual time to maturity, as of the closing date. The interest amounts stated in the table are the contractual, undiscounted cash flows. Amounts falling due within 12 months correspond with the carrying amounts, as the effect of discounting is negligible.

As of 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank overdraft	46,090	-	-	-
Trade payables and other liabilities	47,237	-	-	-
Loan to related parties	10,449	10,449	28,938	-
Lease liability	10,339	7,912	11,965	3,233
Total	114,115	18,361	40,903	3,233

As of 31 December 2018				
Trade payables and other liabilities	27,996	-	-	-
Loan to shareholders	10,199	10,048	38,644	-
Total	38,195	10,048	38,644	0

CREDIT RISK

Credit risks are defined as the risk of loss if the opposite parties with whom the Group has invested cash and cash equivalents, fail to fulfil their obligations. Credit risks are to a large extent avoided through effective creditworthiness analyses/monitoring of existing and potential customers, and in certain cases by obtaining payments in advance or payment against a letter of credit. The Groups' assets are recognised in the balance sheet after deduction for provisions for expected credit losses. The credit risk is limited to the carrying amount of each financial asset. A provision of MSEK 9.2 (27.0) was made for receivables that are not expected to be paid.

CAPITAL RISK

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The debt/equity ratio at 31 December 2019 was 63.4% (71.8%).

OPERATIONAL RISKS

For Sensys Gatso, a major part of operational risk lies in the management of each individual project. Sensys Gatso works actively to integrate risk management in each customer project, and has developed an in-house tool, Risk Assessment Analysis, for this purpose. The tool enables the company to identify, manage and where necessary, accept and limit the risks involved in each project. The project manager is responsible for implementing Risk Assessment Analysis and subsequently following up and reporting on important matters. In addition to this, for larger projects, a member of the management team will be appointed to act as sponsor for the project and the point of contact for regular reports from the project manager.

Each entity manager is responsible for driving and developing his/her respective area of responsibility, which includes identifying opportunities and threats as well as continuously following up on activities. In the local management team meetings projects are discussed, resulting in operational decisions.

PRICE RISK

Price risk in the Group's operations primarily arise in conjunction with the purchase of material used in manufacturing.

INSURANCE

The Group has adequate insurance policies covering property, product liability, interruptions and transport, as well as an insurance policy covering the Board of Directors and CEO.

IT SECURITY

As computer-aided technology has assumed an increasingly greater scope within the companies, security requirements have also increased. The functional security of the databases and e-mail servers is checked via daily backups. The internet connection is fixed and completely isolated from other networks via hardware firewalls. Access via public networks is secured via security devices. User access to the system is regulated via Group authorisations and entitlements based on actual assignments and roles within the company. As of May 25, 2018, the group is in full compliance with new GDPR regulations.



Parent Company

Income Statement

TSEK	Note	2019	2018
Net sales	25, 26	7,981	6,040
Gross profit		7,981	6,040
Administrative costs		-13,665	-13,881
Other operating costs		-24	0
Operating profit/loss	27, 36	-5,708	-7,841
Profit/loss from financial investments	28		
Interest income/foreign exchange gains		3,083	6,096
Interest expense/foreign exchange losses		-2,622	-8,035
Profit/loss after financial items		-5,247	-9,780
Appropriations	39	10,422	9,007
Profit/loss before tax		5,175	-773
Income tax for the year	29	-1,121	-1,343
PROFIT OR LOSS FOR THE YEAR		4,054	-2,116

The parent company's comprehensive income corresponds to the net profit for the year.

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
INTANGIBLE FIXED ASSETS			
Product and software development	30	6,896	3,824
		6,896	3,824
FINANCIAL FIXED ASSETS			
Deferred tax assets	29	18,640	19,761
Investments in Subsidiaries	32	413,952	413,952
Loan Subsidiaries	31	29,333	30,000
		461,925	463,713
TOTAL NON CURRENT ASSETS		468,821	467,537
OTHER CURRENT ASSETS			
Receivables from subsidiaries		15,785	12,835
Current tax assets		-	49
Other receivables		595	-
Prepaid expenses and accrued income		934	689
		17,313	13,573
CASH AND CASH EQUIVALENTS			
Cash and bank balances		12,866	21,389
		12,866	21,389
TOTAL CURRENT ASSETS		30,179	34,962
TOTAL ASSETS	23, 38, 39	499,000	502,499

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2019	31 Dec 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	34		
Share capital		43,002	43,002
Statutory reserve		25,515	25,215
Legal reserve		6,896	3,824
		75,113	72,041
Share premium reserve		397,379	397,379
Retained earnings incl net profit for the year		-7,346	-8,630
		390,033	388,749
TOTAL SHAREHOLDERS' EQUITY		465,146	460,790
LIABILITIES			
NONCURRENT LIABILITIES			
Liabilities to shareholders	35	18,489	28,141
TOTAL NON CURRENT LIABILITIES		18,489	28,141
CURRENT LIABILITIES			
Liabilities to shareholders	35	10,449	10,199
Trade payables		1,412	628
Liabilities to subsidiaries		1,331	83
Other liabilities		55	-
Accrued expenses and deferred income	36	2,117	2,658
		15,364	13,568
TOTAL LIABILITIES		33,853	41,709
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		499,000	502,499

Parent Company

Cash Flow

TSEK	2019	2018
Operating profit/loss	-5,708	-7,841
Adjustments for non-cash items		
Other non cash items	-793	-852
Adjustments for non-cash items	-793	-852
Received interest	1,720	-
Paid interest	311	-289
Exchange rate effects	1,736	1,800
Income taxes paid	-	1,404
Cash flow from operating activities before changes in working capital	-2,734	-5,778
Cash flow from changes in working capital		
Trade receivables	-371	-3,828
Trade payables	787	178
Other changes in working capital	-1,275	-2,763
Cash flow from operating activities	-3,593	-12,191
Investing activities		
Investments in subsidiaries	-667	-
Investments in intangible assets	-3,072	-3,824
Received parent company contribution	9,008	-
Cash flow from investing activities	5,269	-3,824
Financing activities		
Movement in liabilities to shareholders	-10,199	-
Cash flow from financing activities	-10,199	0
Cash flow for the year	-8,523	-16,015
Cash and cash equivalents at beginning of the year	21,389	37,404
Cash and cash equivalents at end of the year	12,866	21,389

Parent Company

Statement of changes in shareholders' equity

	Share capital	Statutory reserve	Share premium reserve	Legal reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 Jan 2018	42,246	25,215	380,633	0	-3,051	445,043
Net profit of the year	-	-	-	-	-2,116	-2,116
Addition to legal reserve	-	-	-	3,824	-3,824	0
New share issue	756	-	16,746	-	-	17,502
Stock related remunerations	-	-	-	-	361	361
Shareholders' equity 1 Jan 2019	43,002	25,215	397,379	3,824	-8,630	460,790
Net profit of the year	-	-	-	-	4,054	4,054
Addition to legal reserve	-	-	-	3,072	-3,072	0
New share issue	-	-	-	-	-	0
Stock related remunerations	-	-	-	-	302	302
Shareholders' equity 31 Dec 2019	43,002	25,215	397,379	6,896	-7,346	465,146

The legal reserve is related to the capitalized internal development expenses.

Notes on the accounts, Parent Company

All amounts are expressed in SEK '000 unless otherwise stated.

Note 25 Total sales

Net sales by region	2019	2018
Europe	7,981	6,041
America	-	-
Middle East and APAC	-	-
Total	7,981	6,041

Note 26 Purchase and sales between group companies

Of the parent company's total income from operations, MSEK 8.0 (6.0) refers to remuneration of services performed.

Note 27 Expenses by nature

	2019	2018
Employee benefits and expenses	6,158	5,944
Housing expenses	1	64
Office expenses	1,692	523
Sales expenses	1,018	1,187
Car expenses	1	64
Development expenses	263	-
General expenses	4,517	5,869
Financial items	39	104
Total	13,689	13,755

Note 28 Profit/loss from financial activities

Interest and similar profit/loss items	2019	2018
Exchange rate gains on bank deposits or other loans	1,362	4,296
Interest income Group company	1,720	1,800
Total financial income	3,083	6,096
Interest expense on financial liabilities	2019	2018
Interest expense on loans	0	289
Exchange rate losses on bank deposits or other loans	2,622	7,746
Total financial costs	2,622	8,035
Profit/Loss from financial investments	461	-1,939

Note 29 Tax on result for the year

Corporate income tax	2019	2018
Current tax	-	
Deferred tax	-1,121	-1,343
Total	-1,121	-1,343
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	5,175	-773
Tax at applicable rate	-1,121	162
Effect of unrecognised tax asset relating to tax losses	-	-162
Revaluation of DTA due to changes in tax rates	-	-1,343
Tax on profit/loss for the year in accordance with income statement	-1,121	-1,343
<hr/>		
Opening deferred tax assets	19,761	21,104
Revaluation of DTA due to changes in tax rates	-	-1,343
Utilisation of losses	-1,121	-
Closing deferred tax assets	18,640	19,761

Deferred taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxes can be utilised.

In cases where the company has reported losses in recent years, a deferred tax recoverable relating those losses is only recognised to the extent that there are compelling circumstances indicating that it will be used to offset future taxable profits.

Within the Group there is an extensive budget and forecast process in order to verify the value of the deferred tax assets. Budgets and forecasts are built-up from the entities in collaboration between entity General Managers and Group Management. Furthermore, there are also verifiable circumstances in the form of the current order backlog and agreements with customers as underlying information to the budget and forecast process. These budgeted and forecasted numbers of future sales and profit are matched towards the tax assets in order to measure the number of profitable years needed for utilisation of the total value of the tax assets. Deferred tax assets recognized in subsidiaries outside of Sweden can have an expiration date. An assessment is made if the taxable profits budgeted and forecasted will be sufficient to utilise the losses before the expiration date.

As per December 2019, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of TSEK 156,211 (161,386). Approximately SEK 90.5 (95.9) million has been accounted for in the deferred tax asset to the amount of SEK 18.6 (19.8) million.

Due to changes in corporate income tax rates in Sweden, the Deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at the new tax rate as of year 2021 of 20.6 percent. The revaluation due to the change in tax rate has been accounted for in the financial year 2018.

The parent company had a taxable profit for 2019. Based on continued future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to continue contributing to the future profits by entries into new markets and a broader product range that can be offered to existing customer relations. In 2018 and 2019 the results for Sensys Gatso Sweden AB have been positive. Based on these assumptions, management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

Note 30 Intangible Fixed Assets

Intangible Fixed Assets	Product & software development	
	2019	2018
Opening accumulated acquisition value	3,824	-
Internal development	3,072	3,824
Translation effects	-	-
Closing accumulated acquisition value	6,896	3,824
Carrying amount	6,896	3,824

Note 31 Loan Subsidiaries

Loan subsidiaries	2019	2018
Opening loan subsidiaries	30,000	30,000
Repayment	-667	-
Closing loan subsidiaries	29,333	30,000

The parent company has provided subsidiaries with loans up to SEK 29.3 Million with an ultimate maturity date of December 31, 2022. The loan bears an interest of 6% per annum.

Note 32 Shares and participation in subsidiaries

	2019	2018
Opening acquisition value	413,952	413,952
Movements in the year	-	-
Closing accumulated acquisition value and Carrying amount	413,952	413,952

Details of wholly owned subsidiaries, their corporate identity numbers and registered offices are as follows:

Subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share	Carrying amount	
					2019	2018
Sensys Gatso Sweden AB	100%	556811-3376	Jönköping	500	30,050	30,050
Sensys Gatso Group BV	100%	34030301	Haarlem, NL	3,598	383,952	383,952
Sub-subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share		
Sensys Gatso Netherlands B.V.	100%	34065996	Haarlem, NL	500		
Gatsometer Europa B.V.	100%	34077170	Haarlem, NL	400		
Sensys Gatso Managed Services B.V.	100%	34064750	Haarlem, NL	400		
Sensys Gatso Australia Pty Ltd.	100%	ABN20086 166494	Sydney, AUS	1,000		
Sensys Gatso Deutschland GmbH	100%	HRB 67669	Hilden, DE	25,000		
FDFJ B.V.	100%	34279593	Aerdenhout, NL	50,000		
FDFJ Inc.	100%	4375982	Dover Delaware, USA	100		
Sensys Gatso USA Inc.	80%	4375979	Dover Delaware, USA	80		
Gatso Asia Ltd.	100%	1196483	Hong Kong, HK	1		
Gatso Canada	80%	BC1009998	Alberta, CA	10,000		
Sensys Gatso Japan KK	100%	0110-01-101894	Tokyo, JP	100		

Note 33 Shareholders' equity

Share capital

The share capital of Sensys Gatso Group AB amounts to SEK 43,001,220.40 (42,245,683.50), divided into 860,024,407 (844,913,669) shares. The quota value, previously the nominal value, is SEK 0.05 per share. All shares have an equal right to a portion of the company's assets and profits. Each share entitles the holder to one vote. At shareholders' meetings, each person entitled to vote may vote for the full number of shares owned and represented by him/her without any restriction in the number of votes. The share capital and number of shares has developed as follows since 1 January 1995:

Year	Transaction	Increase in number of shares	Increase in share capital (SEK)	Total share capital (SEK)	Number of shares	Nominal value of shares (SEK)
1995	Opening values	-	-	50,000	500	100
1997	Bonus issue	500	50,000	100,000	1,000	100
1998	Split 1000:1	999,000	-	100,000	1,000,000	0.10
1998	Bonus issue	4,000,000	400,000	500,000	5,000,000	0.10
1998	New share issue	1,025,000	102,500	602,500	6,025,000	0.10
1999	New share issue	4,065,999	406,600	1,009,100	10,090,999	0.10
2000	Bonus issue	-	1,009,100	2,018,200	10,090,999	0.20
2000	Split 4:1	30,272,997	-	2,018,200	40,363,996	0.05
2000	Exchange of convertibles	5,888,218	294,411	2,312,611	46,252,214	0.05
2000	New share issue	10,068,556	503,428	2,816,039	56,320,770	0.05
2001	Exchange of convertibles	101,776	5,089	2,821,128	56,422,546	0.05
2002	New share issue	79,787,095	3,989,355	6,810,483	136,209,641	0.05
2003	New share issue	34,781,829	1,739,091	8,549,574	170,991,470	0.05
2004	Redemption of warrants	360,000	18,000	8,567,574	171,351,470	0.05
2004	New share issue	3,171,909	158,595	8,726,169	174,523,379	0.05
2004	New share issue	35,783,672	1,789,184	10,515,353	210,307,051	0.05
2005	Redemption of warrants	3,620,000	181,000	10,696,353	213,927,051	0.05
2006	Redemption of warrants	2,000,000	100,000	10,796,353	215,927,051	0.05
2010	New share issue	71,975,683	3,598,784	14,395,137	287,902,734	0.05
2012	New share issue	191,935,152	9,596,757	23,991,894	479,837,886	0.05
2013	Redemption of warrants	30,909,453	1,545,473	25,537,367	510,747,339	0.05
2013	Redemption of warrants	30,486,975	1,524,349	27,061,716	541,234,314	0.05
2015	Issue for non-cash consideration	115,920,763	5,796,038	32,857,754	657,155,077	0.05
2017	New share issue	187,758,592	9,387,929.65	42,245,683.50	844,913,669	0.05
2018	Conversion of vendor loan	15,110,738	755,536.90	43,001,220.40	860,024,407	0.05

Note 34 Transactions with shareholders

Liabilities to shareholders	2019	2018
Non-current liabilities vendor loan	18,489	28,141
Current liabilities vendor loan	10,449	10,199
Closing liabilities to shareholders	28,938	38,340
Non-current liabilities to shareholders	2019	2018
Opening liabilities	28,141	36,209
Change in present value	621	793
To current liabilities to shareholders	-10,449	-10,199
Currency adjustments	176	1,338
Non-current liabilities	18,489	28,141
Current liabilities to shareholders	2019	2018
Opening liabilities	10,199	15,993
Current part of promissory note	10,449	10,199
Off-set vendor loan in New share issue	-	-17,502
Repayment	-10,199	-
Currency effects	-	1,509
Current liabilities	10,449	10,199

Note 35 Accrued expenses and accrued income

Accrued expenses and deferred income	2019	2018
Accrued salaries	-	481
Social charges	-	36
Accrued Audit and board fee expenses	1,811	2,055
Other	306	86
Total	2,117	2,658

Note 36 Fees to auditors

PwC/BDO	2019	2018
Audit assignment BDO	908	825
Audit advisory PwC	-	574
Tax consulting PwC	-	123
Other assignments (BDO/PwC)	62	646
Total	970	2,168

Note 37 Pledged assets

Pledged assets	2019	2018
General guarantee	15,000	30,000
Total pledged assets	15,000	30,000

Note 38 Parent Company

The Parent Company's business name is Sensys Gatso Group Aktiebolag. The company is a limited liability company, registered with the Swedish Companies Registration Office, with its registered office in the County of Jönköping, the Municipality of Jönköping, and with the Corporate Identity Number 556215-4459. The company's visiting address is Vasavägen 3c, Jönköping, Sweden.

Sensys Gatso Group AB is the Parent Company of the Sensys Gatso Group, one of the world's leading traffic safety supplier. The Group develops, manufactures and markets traffic safety systems that preliminary used for monitoring red-light and speed control. At year end, Sensys Gatso Group AB had 19,001 shareholders. Together, the ten largest shareholders hold 34.7 percent (34.4) of the shares outstanding.

Note 39 Appropriations

Appropriations	2019	2018
Group contributions received	10,422	9,007
TSEK	10,422	9,007

An error of TSEK 9,007 was adjusted in the figures of 2018 relating to group contribution from a subsidiary previously not accounted for. The correction has been made against appropriations in the P&L and adjustment of short term intercompany receivables in the balance sheet.

Note 40 Proposed appropriation of profit or loss

The following profits are at the disposal of the Annual General Meeting:	2019
Share premium reserve	397,379
Retained earnings	-11,400
Result for the year	4,054
TSEK	390,033

The Board of Directors proposes that no dividend will be paid for 2019 and the retained earnings be carried forward.

Signatures

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU, and that they provide a true and fair view of the Group's financial position and the results of its operations.

The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and provides a true and fair view of the Parent Company's financial position and results.

The administration report for the Group and Parent Company provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainty factors facing the Parent Company and other companies within the Group.

The income statements and balance sheets will be submitted for adoption at the AGM on 12 May 2020.

Jönköping, April 8, 2020

Claes Ödman
Chairman of the Board

Jochem Garritsen
Board Member

Pia Hofstedt
Board Member

Kerstin Sjöstrand
Board Member

Christina Hallin
Board Member

Ivo Mönnink
Chief Executive Officer

Our audit report was submitted on April 8, 2020
BDO Mälardalen AB

Johan Pharmanson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Sensys Gatso Group AB (publ), corporate identity number 556215-4459

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sensys Gatso Group AB (publ) for the financial year 2019 except for the corporate governance statement on pages 28-32. The annual accounts and consolidated accounts of the company are included on pages 22-74 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 28-32. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014/EU) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Impairment test of goodwill

Of the group's total balance sheet, goodwill comprises a significant amount. On pages 54 and 55 in Note 9 - Intangible Fixed Assets, Sensys Gatso Group describes its valuation of reported goodwill.

As these assets are not amortized on an ongoing basis, an annual impairment test is, instead, to be executed. Sensys Gatso Group has undertaken this test during the final quarter of 2019.

An impairment test contains a number of assumptions, amongst others, regarding future market developments, the possibility of achieving growth, profit development and the discount factor. In other words, the judgments and estimations made by group management and the Board are complex.

As goodwill comprises a significant amount and the assumptions required include judgments and estimations each of which can have decisive importance for the valuation, this area has been of special significance in the audit.

How our audit addressed the Key audit matter

Initially, we checked, together with BDO's valuation specialists, the prepared impairment tests per segment to determine if they are based on established principles and methods.

In our audit, we checked the most important assumptions made by the group management and Board of Directors which were applied in the impairment tests, such as those regarding growth, profitability and the discount rate. We assessed these assumptions, by comparing against Sensys Gatso Group's budget per segment and also against historical outcome. We executed an independent assessment with the starting point being the market economic premises for the various cash-generating units included in each segment. The applied discount rates per segment were checked against observable market data. We also examined the starting point for the determination of significant assumptions to ensure that they are consistent with the previous year. We audited the simulations and sensitivity analyses undertaken by the group management and Board of Directors. These tests have also provided the basis for our control of the disclosures provided in the annual report in Note 9. As a final, overall control, we have compared the company's stock exchange value in relation to its calculated net realizable value.

Valuation of deferred tax recoverables attributable to unutilised tax losses

In Note 11, it is stated that the group reports deferred tax recoverable totalling a significant amount. These amounts refer to fiscal losses carried forward in Sweden and the US. In order to assess the value of unutilized tax losses, group management and the Board of Directors must make assumptions on the amount of future taxable profits, which are impacted by market conditions, the company's own performance in each country of operation and the tax legislation in effect. The complexity of this assessment is enhanced by the fact that the operations in Sweden are volatile and is also due to the fact that the unutilized tax losses in the US are limited in time and amount. Based on the size of the recoverable, and as the valuation includes significant judgments, this area has been of special significance in the audit.

How our audit addressed the Key audit matter

Initially, we obtained information on the calculations, as regards both Sweden and the US, which the group management had prepared in order to assess the possibility of utilizing the tax losses in future years. We examined to determine if the forecasts applied were those approved by the Board of Directors, and we compared net sales and profitability with previous years' outcomes. We also examined the assumptions applied in the calculations to determine if they

were consistent with the impairment testing of goodwill. Regarding the American tax recoverable, we checked, together with our tax specialists at BDO in Sweden and the US, to determine if correct assumptions had been applied. This was done as we deemed that the nature of the US tax system in terms of losses carried forward is relatively complex.

In executing our audit, we examined to determine if there were any adopted or forthcoming changes in the tax regulations in Sweden, and in the US, which could impact the possibility of utilising the tax losses or could impact the size of the losses that can be utilized, and have been accounted for according to generally accepted accounting practice. We also examined the disclosures Sensys Gatso Group provides in Note 11 to determine if they are in accordance with IFRS. In the same Note, there is a statement that the entire amount of unutilized tax losses in Sweden has not been accounted for as an asset.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-21. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from

material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sensys Gatso Group AB (publ) for the financial year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 28-32 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

BDO Mälardalen AB was appointed auditor of Sensys Gatso Group AB by the general meeting of the shareholders on 9 May 2019 and has been the company's auditor since 2018.

Stockholm 8 April 2020
BDO Mälardalen AB

Johan Pharmanson
Authorized Public Accountant

Information to the shareholders

Sensys Gatso Group AB (publ) will publish the following financial information:

- » Q1 2020, 30 April
- » Q2 2020, 20 August
- » Q3 2020, 26 November
- » Q4 2020, 25 February 2021

Annual reports and other reports are available at our website at www.sensysgatso.com and can also be ordered directly from Sensys Gatso.

Annual General Meeting of Shareholders

Sensys Gatso will hold its Annual General Meeting of Shareholders on 12 May 2020 at 3pm at Elite Stora Hotellet, Hotellplan, Jönköping.

Right to participate in the Annual General Meeting

Shareholders wishing to attend the Annual General Meeting of Sensys Gatso must be recorded in the share register maintained by Euroclear Sweden AB no later than 6 May 2020, and have given notice of their intention to attend the Meeting by 6 May 2020.

In order to be entitled to attend the Annual General Meeting and exercise their right to vote, shareholders whose shares are registered under a nominee name must temporarily register the shares in their own name. Such registration must be handled by the trustee/bank and shall be completed with Euroclear Sweden AB by 6 May 2020.

Notification of intention to attend

Notice of intention to attend the Annual General Meeting must be made to Sensys Gatso by 12 noon on 6 May, by mail:

Sensys Gatso Group AB
Box 2174
550 02 Jönköping

by telephone: +46 (0)36-34 29 80
by fax: +46 (0)36-12 56 99
or by e-mail: info@sensysgatso.com

Audit committee

Due to the size of the company, it has not been deemed necessary to set up a separate audit committee.

Remuneration committee

No separate remuneration committee has been appointed in the company. Issues relating to remuneration for the CEO are handled by the Chairman in consultation with the other Board members.

Decisions on remuneration to other senior executives are made by the CEO in consultation with the Chairman of the Board.

Nomination committee

The nomination committee prepares proposals for the Annual General Meeting with regard to the election and remuneration of Board members and auditors. The nomination committee meets when required, although at least once a year. Since the AGM held on 9 May 2019, the nomination committee of Sensys Gatso Group AB (publ) has been composed of the following members:

Timo Gatsonides, for own holdings (Chairman)
T +31 6 22 775 901
E-mail: t.gatsonides@sensysgatso.com

Per Wall, for own holdings
T +46 (0)70 955 00 22
E-mail: per.wall@penser.se

Jan Johansson, appointed by Inger Bergstrand
T +46 (0)8-149502 or +46 (0)706-709047
E-mail: jjfab@telia.com

Claes Ödman, as Chairman of the Board
T +46 (0)70-852 8512
E-mail: claes.odman@ascom.com

Proposals to the nomination committee must be submitted to the Chairman, Timo Gatsonides.

Contact for financial information

Chief Financial Officer Simon Mulder
T +31 (0)23 525 50 50
E-mail: s.mulder@sensysgatso.com

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Sensys Gatso's website - www.sensysgatso.com - contains detailed and up-to-date financial information. The website also has a subscriber service for those wishing to subscribe to press releases and reports via e-mail.

Sensys Gatso is a global leader in traffic management solutions for nations, cities and fleet owners. Sensys Gatso has subsidiaries in Australia, Germany, the Netherlands, Sweden, and the USA, and a branch office in the United Arab Emirates. The Sensys Gatso Group's shares are listed at NASDAQ Stockholm and has a total of 252 employees.

Sensys Gatso - Making traffic safer®

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