



Sensys
Gatso
Group

›2022

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."

Annual Report-2022

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 2022 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 Investerares/Investors, 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:

"The strongest order intake in our 65-year history provides the foundation for profitable expansion"



All time high order intake of SEK 1.5 billion

2022 has been a year in which our customers have clearly demonstrated their appreciation of our traffic enforcement solutions by placing large orders in Europe, Australia and the USA. 70% of the high order intake this year was made up of two sizable, long-term contracts from our home markets, Sweden and the Netherlands. The agreements are for twelve years and include a 50% recurrent TRaaS component. In addition to these, no fewer than seven TRaaS orders for a combined SEK 290 million were placed from our key US market. Moreover, our Australian team secured three orders, all 100% TRaaS, totaling SEK 120 million. The total amount of orders received for 2022 as a whole was SEK 1.5 billion. This is by far the greatest order intake in Sensys Gatso's 65-year history and three times greater than in 2021. More significantly, we are clearly implementing our objective to expand our TRaaS business, as roughly 60% of the order intake in 2022 was recurring TRaaS revenue..

Significant rise in TRaaS Sales

With SEK 495 million, total sales for 2022 were 2% lower than the prior year at SEK 507 million.

The growth of our strategic TRaaS business is more crucial. TRaaS is a recurring business model featuring multi-year agreements, ongoing client relationships, and higher margins.

In 2022, recurring revenue sources significantly increased as a result of our focus on TRaaS. Specifically, our TRaaS revenues totaled SEK 312 million in 2022, a 26% increase over 2021. Due to this strategy, our proportion of TRaaS sales has increased to 63% of total revenues from 49% in 2021. It demonstrates that our strategy to focus on TRaaS is paying off.

US TRaaS sales rose 36%

Our long-term goal is largely focused on expanding our American operation. In 2022, we boosted the team even more by appointing a new business leader. A proactive sales-driven market approach that is at the core of a new strategy has been deployed. This strategy begins to bear fruit. In 2022 we grew our US TRaaS Managed Services business by 36%, from SEK 129 million to SEK 176 million. In addition, we signed seven contracts in 2022 as opposed to four in 2021. With new US leadership and a new strategic plan in operation, our future looks promising in this large and strategic market for Sensys Gatso.

TRaaS model is being adopted in Australia

In May 2022 we signed a three year traffic enforcement contract with the Tasmanian police worth SEK 74 million. I am particularly excited about this new order. It shows how our Australian team carries out our plan to expand our TRaaS business outside of the USA. We offer the Tasmanian police a variety of automated traffic enforcement solutions, including automated number plate recognition-based solutions, roaming speed enforcement, mobile point-to-point speed enforcement, and distracted driving enforcement.

The enforcement by our customer, using our solutions has successfully been implemented and started contributing to the TRaaS managed services revenue in Q4. This successful implementation is a positive step for our TRaaS business model's future outside of the USA.

Investing for growth

We continued to invest in 2022. Our investments often fall into one of three categories. First, we make investments in FLUX, Puls, and Xilium, our software platforms. As we transform into an expanding software and services operation, these expenditures are crucial. The second category of investments is capital that has been put to use, mainly in the USA. These investments are identified as Fixed Assets in Operation in our financial reporting. The overall investment in operational fixed

assets in 2022 was SEK 19 million. The investment in our software platforms in 2022 was SEK 22 million. The third category of investments has to do with streamlining our business. We are investing in front-end sales personnel and initiatives as part of our new strategic plan for the US market to support the expansion we anticipate in this significant market. Also, this year's implementation of a new ERP system has temporarily increased our costs. Both of these investments are not capitalised on our balance sheet.

New projects in LATAM

The LATAM region is still gaining momentum. Our consumers in this region greatly respect the strong Sensys Gatso brand and our competence with international project implementations.

Through our local partner in Uruguay, we were able to secure a portion of the national tender. Due to our capacity to respond quickly, we were able to fulfill the entire order in the fourth quarter.

In Ecuador we have been working with a reliable local partner since 2021. As a result, 3 new projects were completed in the third quarter of this year. The government budget position in Costa Rica continues to be unpredictable. Meanwhile we continue to work together with municipalities, to start our business in Costa Rica with local projects.

Saving lives in Ghana

The other significant transaction this quarter was from Ghana, where our 40% joint venture in NTMEL finalised a SEK 800 million contract with our client, the Ghana government, following years of discussions and negotiations. It's our responsibility to save lives by altering traffic-related driver behaviour globally. Our 65 years of traffic enforcement expertise around the world have taught us that speeding is the leading cause of traffic-related fatalities and injuries. As we all know, speed kills.

Regrettably the numbers in Ghana are staggering and rising. In 2021 alone, close to 3,000 persons died in traffic accidents and approximately 6,000 were injured.

We are thrilled that Sensys Gatso can contribute to safer traffic in Ghana by launching a complete TRaaS programme in Ghana throughout the next eleven years. We anticipate that the programme will start contributing to our revenue in the second half of 2024, primarily through the sale of hardware and licence fees for the usage of the software platform from Sensys Gatso.

Gross margin continues to increase

We see an improvement in our margins as we continue to concentrate on our recurring revenue TRaaS strategy. For the full year 2022, the margin increased with 5 percentage points, from 41 percent to 46 percent. I prefer to look at our results from a 12-months rolling perspective. This removes some of the unevenness brought on by one-off

system sales, which frequently have lower margins. On this rolling 12-month basis, the gross margin increased by 2 percentage points, from 43 percent in the third quarter of 2022 to 45 percent in the fourth quarter.

Healthy financial performance

For the full year 2022, Sensys Gatso generated a positive cash flow from operating activities of SEK 126 million. This is an increase of SEK 117 million compared to SEK 9 million previous year. After Investment and Financing activities, we added 70 million to our available cash position. The positive movement mainly relates to payment of trade receivables and use of inventories. With our strong available cash position and our low level of debt, the company has a sound financial position to sustain future growth.

Contributing to a better world

Lastly, I want to emphasise how Sensys Gatso helps to make the world a better place.

The 17 United Nations Sustainable Development Goals are well known to us all. We have a unique opportunity to contribute to this global agenda. Sustainable Development Goal 3.6 targets to halve the number of global deaths and injuries from road traffic accidents by 2030. The eleventh goal focuses on creating inclusive, secure, resilient, and sustainable cities and human settlements. By using automated traffic enforcement systems like ours, we help our customers to slow down traffic and control traffic flows. By doing this, we assist to lower pollutants from cars and make cities and roads safer. In this yearly report, we'll give concrete examples of how our solutions benefit society and aid our governmental clients in meeting UN goals.

Outlook

This year has been the most successful year in Sensys Gatso's 65-year history with the intake of orders totaling SEK 1.5 billion in 2022. Consequently our revenue is assured for many years to come thanks to long-term contracts with governmental clients in our home markets, Sweden, the Netherlands, and Australia. The success of our strategic focus on the recurring TRaaS business makes me very proud. In 2022 our total TRaaS business in the USA increased by more than 40%, and we also gained additional TRaaS revenue in Australia.

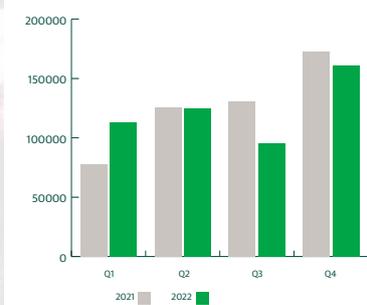
Our gross margin is expanding in parallel with the expansion of our TRaaS business, strengthening our already solid financial position. Therefore, we continue to work towards our long-term goal of increasing net sales to more than SEK 1 billion by 2025, of which more than SEK 600 million will come from TRaaS revenues. We also retain our ambition to increase our EBITDA margin to more than 15% by 2025.

Ivo Mönnink,
CEO, Sensys Gatso Group AB

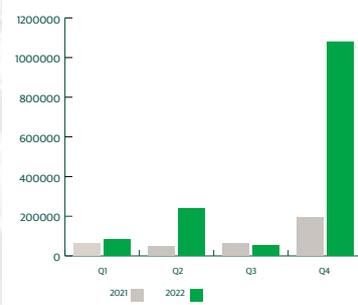
2022 in brief

- » Order intake MSEK 1,456 (368)
- » Net sales MSEK 495 (507)
- » Gross margin (%) 45.5 (40.6)
- » EBITDA MSEK 73 (84)
- » Operating profit MSEK 31 (46)
- » The profit after tax MSEK 20.1 (34.9)
- » Cash flow from operating activities amounted to MSEK 125.5 (9.1)
- » Comprehensive income MSEK 59.2 (45.5)
- » Earnings per share, before and after dilution, SEK 0.02 (0.04)

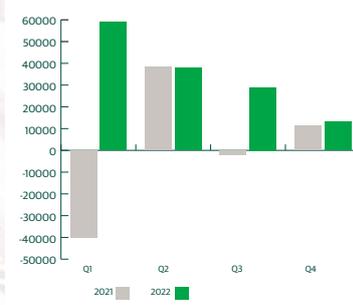
Net sales



Order intake



Cash flow



Significant events

Q1

- » 18 January - Sensys Gatso has won a five-year TRaaS contract from Pelham Manor, New York worth SEK 7.9 million
- » 19 January - Sensys Gatso USA has won a five-year TRaaS contract from Gates Mills, Ohio worth SEK 9.2 million
- » 2 February - Sensys Gatso USA has won a five-year TRaaS contract from Oelwein, Iowa worth SEK 9.3 million
- » 4 March - Sensys Gatso has received a purchase order for red-light and speed enforcement in Belgium worth SEK 6 million
- » 18 March - Sensys Gatso has been selected as vendor to a procurement contract in the Netherlands, with an estimated revenue of SEK 250 million

Q2

- » 12 April - Sensys Gatso receives three-year TRaaS contract extension, valued at SEK 44 million for speed photo enforcement in Des Moines, Iowa
- » 13 April - Sensys Gatso signs procurement contract in the Netherlands
- » 5 May - Sensys Gatso Group strengthens USA business with new USA President & Managing Director
- » 31 May - Sensys Gatso Australia receives TRAFFIC enforcement as a Service (TRaaS) order for a new Automated Traffic Offence Enforcement Program in Tasmania to the value of SEK 73.5 million
- » 20 June - Sensys Gatso receives a five-year TRaaS contract valued at SEK 100 million for speed photo enforcement in Cedar Rapids, Iowa
- » 29 June - Sensys Gatso receives a TRaaS contract extension in the Netherlands, valued at SEK 10 million

Q3

- » 16 September - Sensys Gatso receives an order from Ecuador, worth SEK 20 million
- » 28 September - Sensys Gatso receives an order from Uruguay, worth SEK 9 million

Q4

- » 8 October - Sensys Gatso wins procurement award from the Swedish Transport Administration, worth up to SEK 850 million
- » 19 October - Sensys Gatso confirms the Swedish Transport Administration's procurement award, worth up to SEK 850 million
- » 14 November - Sensys Gatso Australia receives contract extension of maintenance services for traffic safety systems from the state of Victoria, worth SEK 21 million
- » 16 November - Sensys Gatso announces contract signed with the Swedish Transport Administration worth up to SEK 850 million
- » 24 November - Sensys Gatso Australia receives Project Orders for the extension of maintenance services for ANPR traffic safety systems from the state of New South Wales, worth SEK 26 million
- » 1 December - Sensys Gatso receives contract worth SEK 7.5 million for traffic safety in Marshalltown, IA; expands its footprint in the state
- » 22 December - Sensys Gatso receives a seven-year TRaaS contract valued at approximately SEK 120 million for red light and school-zone speed enforcement in Pawtucket, Rhode Island
- » 23 December - Sensys Gatso, through its 40% joint venture share in NTMEL, signs an 11 year TRaaS contract with the Government of Ghana estimated at SEK 800 million in revenues

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

www.sensysgatso.com

Sustainable development goals

The United Nations' Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice. Sensys Gatso's everyday activities and objectives directly contribute to 2 of those goals.



Figure 1. The United Nations Sustainable Development Goals.

These 2 goals are: number 3 - Good health and well being, and number 11 - Sustainable cities and communities.

Development Goal Number 3 is ensuring healthy lives and promoting well-being at all ages because this is considered to be essential to sustainable development. Goal Number 3.6 specifically addresses the issue of fatalities and injuries as a result of traffic crashes. It states that by 2030 the number of fatalities and injuries should be decreased by 50%.

Development Goal Number 11 is about making cities, communities and human settlements more inclusive, safe, resilient and sustainable. Today, more than half the world's population live in cities. By 2050, an estimated 7 out of 10 people will likely live in urban areas. Cities are drivers of economic growth and contribute more than 80 per cent of global GDP.



However, the urban areas also account for more than 70 per cent of global greenhouse gas emissions. If well-planned and managed, urban development can be sustainable and can generate inclusive prosperity.

The contributions Sensys Gatso makes to the UN's aforementioned goals are described in the following Sensys Gatso programmes.

Speed kills

Speeding is one of the leading causes of traffic crashes and fatalities worldwide. According to the World Health Organization (WHO), approximately 1.35 million people die every year in road traffic crashes, and speed is a contributing factor in one-third of these fatalities. This statistic highlights the severity of the problem and the need to address it.

The relationship between speed and traffic crashes is straightforward. The faster a vehicle is traveling, the longer it takes to stop and the more difficult it becomes for the driver to control the vehicle. This increases the likelihood of a collision, particularly in situations where the driver has to react quickly to unexpected events or obstacles on the road. Speeding also increases the severity of crashes, making injuries more severe and fatalities more likely.

There are significant variations in traffic fatalities per 100,000 inhabitants among countries, with some coun-

tries having significantly lower rates than others. For example, in 2018, Sweden had the lowest traffic fatalities per 100,000 inhabitants at 2.4, while the United States had a rate of 12.4, which was higher than the rates of most other high-income countries. The rate of traffic fatalities per 100,000 inhabitants in low-income countries was particularly high, with some countries reporting rates over 25 times higher than high-income countries. This disparity is often due to factors such as inadequate road infrastructure, lack of enforcement of traffic laws, and limited access to emergency medical care.

DECADE OF ACTION FOR ROAD SAFETY



Sweden

The Swedish Government has developed and successfully implemented its Vision Zero traffic safety concept since the late 90s. The program entails several aspects of Traffic Safety in order to get to zero fatalities as a result of traffic crashes. One of the key elements of Vision Zero is Speed Enforcement. From the inception of the program, Sensys Gatso has been the primary supplier of speed enforcement equipment to the Swedish traffic authorities. As a result, Sweden has the lowest traffic fatality rate per 100,000 people, making it the world leader in traffic safety.

Impact analysis:

Sensys Gatso's speed enforcement system in Sweden is using traffic safety cameras to automatically monitor compliance with speed limits on roads. The overall goal of using traffic safety cameras is to lower the average speed on the roads and thereby reduce the number of crashes and fatalities or injuries. The system is administered by the Swedish Transport Administration and the Swedish Police Authority.

In order to achieve this goal, installation sites for cameras are chosen in areas where the average speed is high and where there is a significant danger of crashes.

As one of the highlights of the program, the percentage of vehicles that were speeding on roads included in the program with a speed limit of 70 km/h dropped from 3.3% in 2020 to 2.8% 2021 which is a decrease of 15%.

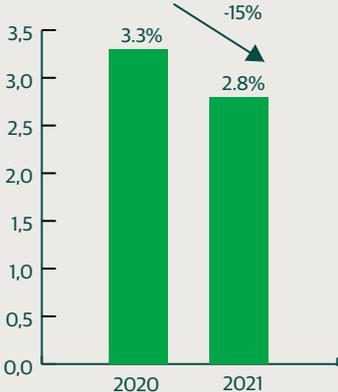


Figure 2. Percentage of speeding vehicles.



North-America

Out of the 50 States in the US, 24 permit automated traffic enforcement for Red-Light and/or Speed. In 2022, Sensys Gatso had approximately 40 speed and red light enforcement programmes operating in 12 states. Those programmes are offered as a full Traffic Enforcement as a Service (TRaaS) solution to the customers.

City of Pawtucket

The Automated School Zone Speed Enforcement System Act was passed in Rhode Island in 2016, permitting municipalities to install speed enforcement systems within a quarter-mile of any type of school in the state. The City of Pawtucket launched a programme in 2019 to increase kids' general safety in school zones.

Red light cameras are installed at intersections where traffic volumes and crash statistics justify their use. Sensys Gatso serves as the entire managed services provider for the City of Pawtucket, providing all components of the automated traffic enforcement solution, including picture capture, customer services, adjudication services, and money collection.



Figure 3. Increase of fatality rate when travelling 5 mph faster.

Des Moines

The Iowa state capitol Des Moines has been making efforts to increase traffic safety. It has engaged with Sensys Gatso as its partner since 2011 and has grown to cover red light camera systems with "speed-on-green" functionality, highway speed enforcement systems and in-vehicle mobile speed enforcement units throughout the City. Sensys Gatso provides the city with a full end-to-end and turn-key traffic enforcement solution.

Impact analysis:

Researchers from the Insurance Institute for Highway Safety (IIHS) found that a 5 mph increase in the maximum speed limit was associated with an 8% increase in the fatality rate on interstates and freeways, and a 3% increase in fatalities on other roads.

Vehicle speed at the time of impact is directly correlated to whether a person will live or die. A person hit by a car traveling at 35 miles per hour is five times more likely to die than a person hit by a car traveling at 20 miles per hour. For senior pedestrians and pedestrians hit by trucks and other heavy vehicles, the risk of mortality is higher at all speeds.

Ghana

The government of Ghana has awarded the contract to NTMEL to Design, Build, Finance, Operate and Maintain the national road safety program. Sensys Gatso holds a 40% stake in NTMEL. A programme to enforce traffic laws on the roads must have the support of the general public in order to be effective and long-lasting. Sensys Gatso’s unique experience in Vision Zero, the successful road safety policy first originated in Sweden in 1997, will assist the Government of Ghana in the execution of a public awareness campaign to ensure this.

Impact analysis:

Along with the strong economic growth over the last 2 decades, road casualties in Ghana have surged too. Last year 2,924 people lost their lives in traffic, an increase of nearly 13% compared to 2020. Another 15,680 people were injured in the same period. And this year is no exception. Road traffic crashes continue causing havoc to many people’s lives on a daily basis. Apart from the personal tragedies, the associated costs to society are estimated at 1.6% of Ghana’s GDP annually. With Ghana’s GDP in 2021 to be at 77.59 Billion USD this equates to 1.24 Billion USD.



Figure 4. Cost for Society in % of GDP in Ghana associated to traffic crashes.

Netherlands

The City of Amsterdam strives to build a sustainable city and give its residents access to a clean, healthy environment. One of the major contributors to air pollution in the city of Amsterdam is the daily traffic entering and leaving the city. As a result, the city has established a policy that by 2030 only zero emission vehicles are allowed to enter the City of Amsterdam. Sensys Gatso has been a long standing partner of the City of Amsterdam to enforce this policy.



Impact analysis:

At the start of the program there were multiple locations in Amsterdam where the NOx emissions were higher than the maximum of the EU directive (>30 µg/m3). The City of Amsterdam is constantly monitoring the air quality and is publishing the results in real time at <https://maps.amsterdam.nl/no2/>. As a result of this policy and its execution, the emission levels have decreased by 30% and are now within the European directives' tolerance limitations.

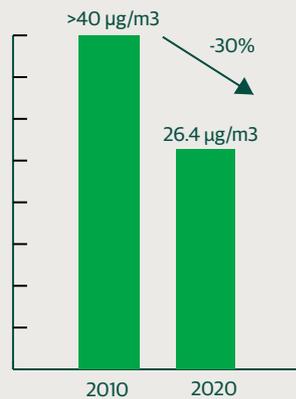


Figure 5. Decrease of NO2 levels in the City Centre of Amsterdam.



City of Amsterdam



Figure 6. Red dots indicate that the Nitrogen level is exceeding the limit of 40.5µg/m3 (EU directive).

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SPEED

LIMIT

25

**WHEN
CHILDREN
PRESENT**

Sustainability Report - *The bigger picture*

Several global trends continued to favor Sensys Gatso, not the least the world's drive for sustainable cities, reduced environmental impacts from vehicles and the fulfillment of the UN's 2030 sustainable development goals. Making roads safer by changing human behaviour in traffic is fundamental to 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 software driven system solutions and products to improve traffic safety. Our largest product category includes automatic speed and red light monitoring systems designed to prevent traffic accidents and thereby save lives. However, our solutions not only help save lives by preventing road crashes - our products and services also contribute to the reduction of carbon emissions and lower pollution levels.

Our customers include police and road authorities globally, as well as, to some extent, 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 results in add-on sales over time. For more information about Sensys Gatso and our customers we kindly refer to note 1.

Our supply chain is European and the development and production of our systems is in part provided by third party suppliers in Sweden, and partly at our own production facility in Haarlem, the Netherlands. All together we engage approximately 10 employees in Haarlem and another 80 different suppliers in Sweden and the Netherlands. Given our European centric development model, we, as a company, are required to follow EU environmental legislations and regulations, such as WEEE and RoHS.

Sensys Gatso applies and follows the UN Global Compact ten principles; here we report on our progress. Sensys Gatso is all about contributing to safe traffic, the global drive for sustainable cities and the UN 2030 Sustainable Development Goals (SDG). Sensys Gatso's business is focused on SDG goal number 3, good health and well-being, and SDG goal number 11, building sustainable cities and communities, which is how we can make the biggest impact.



Governance

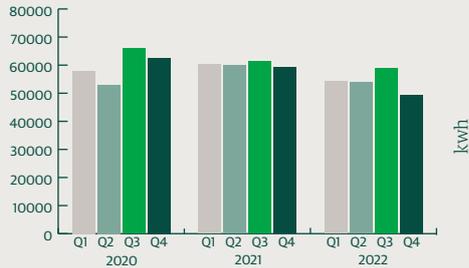
- » Corporate Culture
- » Internal process and training
- » Recruitment process and talent management
- » Code of Conduct (public on sensysgatso.com)
- » Anti Corruption Policy
- » CSR policy (public on sensysgatso.com)
- » Equality policy
- » Whistle Blower Policy (public on sensysgatso.com)
- » Information Security Policy
- » Privacy Policy (public on sensysgatso.com)
- » IR & Communication Policy
- » Insider Policy
- » Social Media Policy
- » Risk Policy
- » Finance Policy
- » ISO 9001 certifications in operational subsidiaries
- » ISO 14001 certification in operational subsidiary
- » ISO 27001 certification in operational subsidiary

Environmental - Sustainable cities

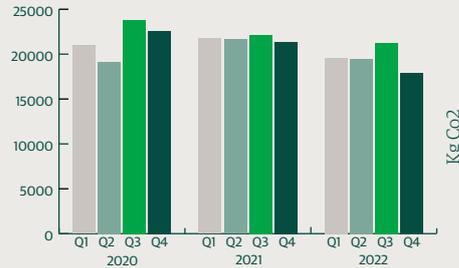
Sensys Gatso is active in an industry that is at the beginning of undergoing major changes. Even in the wake of the global pandemic, we witness an increase in urbanization and more people digitally connected. Digitalization and an increased awareness of societal issues, such as sustainability, have changed the way people think, live and work. Today's young urbanized groups, living in metropolitan areas, would prefer to rent a car when necessary through services such as Car-to-go and Uber, rather than own a vehicle.

As a company, we need to meet these changes and challenges in advance - and assist our customers in meeting these new needs trends. Traditionally, Sensys Gatso's customers have been law enforcement authorities with the need to fulfill legal requirements, but today our customers

Consolidated used electricity
Sensys Gatso Netherlands and Sensys Gatso Sweden



Consolidated kg CO2 emission for used electricity
Sensys Gatso Netherlands and Sensys Gatso Sweden



are traffic safety authorities where safety is at the top of their agenda. We also see a trend where future customers will be cities and municipalities focused on providing high living standards where aspects such as user-friendly environments, accessibility and safety will score very high.

Environmental - A safer and healthier planet

As a company we are committed to reducing our own environment impact. Environmental issues are central to the process of developing new products and improving existing ones. Moreover, it is an essential part of how our employees think and act.

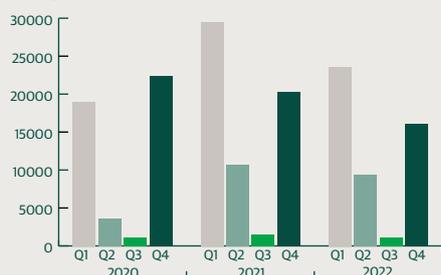
An important regulation that Sensys Gatso complies with is the WEEE directive (Waste of Electric and Electronic Equipment) given our European centric product and services delivery model. The directive determines how we must handle electronics product waste. Sensys Gatso also complies with the RoHS directive (Restrictions of Hazardous Substances), which refers to restricting and removing hazardous substances from electrical and electronic equipment. Our subsidiaries are following the ISO 14001:2015 standard and have determined the KPI's that most impact our environmental footprint. These include KPI's for usage of water, energy and gas and CO2 emission. The trend from 2012 onwards, is a steady decrease on the Key Performance Indicators, except for the gas use since that is more difficult to achieve as it is more dependent on weather conditions (e.g. cold winters). The entity in the Netherlands where we have production is also certified under the ISO 14001:2015 standard.

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 to improve the overall safety for kids and teenagers. The purpose is to warn unprotected pedestrians when speeding cars approach.
- » Sensys Gatso has several School Zone Speed enforcement programs in the USA, with the objective to protect the youngest participants on the road.

Gas use per quarter
Sensys Gatso Netherlands



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 a 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 transportation environmental risks yet.

Within production;

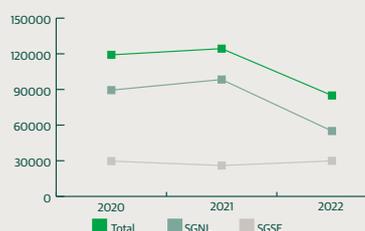
Sensys Gatso follows a number of legislative requirements around the world, which are maintained and updated through our global Environmental Management System - which allows us to ensure our compliance with applicable legislation and local laws. For example, Sensys Gatso is obligated to participate in a country wide program of collecting and recycling electronic waste, which is a mandatory EU legislative requirement and should lead to 65% circular e-waste by 2030. Another example is our ISO 14001:2015 certification, which on a global basis ensures that we as a supplier are guided by strict environmental standards, which includes adherence to applicable laws and our own environmental footprint.

Sensys Gatso measures environmental risks in production through the Key Performance Indicators listed above. Our goal is to reduce these impacts by 3% yearly.

We promote returning and recycling of products, and dismantle products when returned by a customer after use. The residual and product waste is collected, separated, reused and/or disposed of 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 through our company wide information. This includes our efforts taken within the production facility to minimize our environmental impact - highlighted by using our "Green SGG" campaign sign throughout the facility.



Consolidate paper use (Prints)
Sensys Gatso Netherlands and Sensys Gatso Sweden



UN Global Compact - Report on progress

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

Sensys Gatso's compliance with 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 are active in countries where the risk of human rights violations is higher than in northern Europe. 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 great risk of limited diversity within the Sensys Gatso team, despite the fact that the company strives for 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 has no other KPIs in human rights other than that we carry out an annual mandatory training of the company's code of conduct. 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.

UN Global Compact Labour principle 3-6

In 2022 all subsidiaries maintained the same average percentage of sick days as previous years, 2 - 4%. In general, we have a very healthy global working environment.

In 2019, we introduced a platform that allows for flexible

working environments. The platform allowed us to seamlessly continue our deliveries during 2020 and 2021 when the pandemic limited employee contacts, and contributed to maintaining the health and well-being of our staff.

Sensys Gatso performs employee satisfaction and performance interviews twice yearly. In addition to following up on the interviews, we conduct workshops where specific focus areas and issues are highlighted.

UN Global Compact principle 7-9: Social - Presence and engagement

Sensys Gatso maintains discussions with authorities around the world regarding a variety of traffic issues. For example, in Sweden we have consulted primarily with the Swedish Transport Administration (Trafikverket) that is responsible for the long-term planning of state road network and their Vision Zero initiative.

The Vision Zero initiative is aimed at reducing road casualties to zero. We have embraced the ideas of the Swedish Vision Zero policy in how we develop our products and services. Our promise is that no one should die in traffic, ever. The principles of Vision Zero have gained greater acceptance worldwide, including several cities in the USA. As the concept evolves, we are committed to supporting the Vision Zero initiatives through our leadership role in providing solutions for safer traffic environments and more sustainable societies.

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.

Sensys Gatso 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.

We are honoured to provide our road safety and automated enforcement expertise and consult with multilateral organizations and NGOs to contribute with our global insights and experience. We regularly present at major conferences at, for example, UNECE, AfDB, IRF, ITS World Congress, RS5C (VTI), and ARSC (Asean Road Safety Centre) conferences. We share our extensive knowledge with our customers - governments and related stakeholders - by means of presentations and white papers.

IRF, the International Road Federation, is a global not-for-profit organization since 1948 and supported by regional offices throughout the world to serve a network of IRF Members in more than 70 countries. Sensys Gatso's Director Government Affairs was elected to chair for the IRF Road Safety Committee in May 2022.

Sweden's Vision Zero ambition is an important 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 effort 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.

More recent examples are the implementation of 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.

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 Direc-

tors. 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.

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.

UN Global Compact Anti Corruption principle 10: **A hygiene factor**

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.

All employees who have contact with customers and suppliers undergo annual training in code of conduct and anti-corruption policy, confirmed that they have read the policy and that they understand it and that they will follow it.

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



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 2022 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 17, 2023

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 | 2020 | 2021 | 2022 | 2025 | CAGR* |
|---------------------------------|------|------|------|------|--------|-------|
| Total Net Sales | 406 | 455 | 507 | 495 | > 1000 | > 16% |
| of which TRaaS recurring sales: | 177 | 217 | 247 | 312 | > 600 | > 22% |
| EBITDA | 7% | 13% | 16% | 15% | > 15% | |

*CAGR from 2019.

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 31 December 2022, the share capital amounted to TSEK 46.088 (46.088) divided into 921,776,405 (921,776,405) shares.

The number of shareholders totaled 16,819 (17,041). All shares carry the same voting rights and entitle the holder to the same share of the company's earnings and capital. 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. The Articles of Association do not contain any conditions concerning voting right restrictions. There is no authorisation for repurchase of treasury shares.

The highest price paid for Sensys Gatso shares during the year was SEK 1.35 (16 November, 2022) and the lowest price paid was SEK 0.78 (21 February, 2022). The closing price paid on 31 December, 2022 was SEK 0.99 (0.96).

In 2022 a total of 533,931,837 (663,424,182) Sensys Gatso shares were traded on the Stockholm Stock Exchange. At the end of the year, the market capitalisation amounted to SEK 912 million (884).

The 20 largest shareholders

| The shares in Sensys Gatso Group AB were held as of 30 December 2022 as follows: | Number of shares | Proportion of share capital/votes % |
|--|--------------------|-------------------------------------|
| BNP PARIBAS SA PARIS, W8IMY (GC) | 164,428,138 | 17.84 |
| AVANZA PENSION | 38,597,000 | 4.19 |
| NORDNET PENSIONSFÖRSÄKRING AB | 36,479,503 | 3.96 |
| WALL, PER ANDERS CURT | 23,000,000 | 2.50 |
| BERGSTRAND, INGER | 20,659,837 | 2.24 |
| MELLGREN, CLAES | 9,105,325 | 0.99 |
| Handelsbanken fonder | 9,007,368 | 0.98 |
| HAMBERG, KARL PETER GUDMUND | 8,000,000 | 0.87 |
| SEB Investment Management | 7,099,368 | 0.77 |
| DAHLIN, LARS | 7,000,000 | 0.76 |
| SWEDBANK FÖRSÄKRING | 6,542,712 | 0.71 |
| Futur Pension | 5,917,105 | 0.64 |
| Skandia fonder | 5,819,338 | 0.63 |
| BOYER, PERNILLA MARI | 5,612,509 | 0.61 |
| KOCK, CHRISTIAN AXEL | 5,579,024 | 0.61 |
| STÅHLGREN, HANS EDVIN | 5,530,000 | 0.60 |
| ARDING LANGUAGE SERVICES AKTIEBOLAG | 5,000,000 | 0.54 |
| SAXO BANK A/S CLIENT ASSETS | 4,851,694 | 0.53 |
| BNY MELLON SA/NV (FORMER BNY), W8IMY | 4,695,614 | 0.51 |
| ANDERSSON, BENGT | 3,600,000 | 0.39 |
| Total, 20 largest shareholders | 376,524,535 | 40.87 |
| Total, other shareholders (16,799) | 545,251,870 | 59.13 |
| Total | 921,776,405 | 100.00 % |

*163,180,523 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 2022.

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, Sensys Gatso Group BV, and Sensys Gatso Middle East Safety & Security Company. For additional information see note 33.

Sales and earnings

Net sales for the full year was SEK 494.6 million (506.8). The gross margin was 45.5 percent (40.6). Profit/loss before tax amounted to SEK 33.1 million (47.3). Profit/loss after tax was SEK 20.1 million (34.9). For further details regarding financial performance please see page 24 - 25.

Financial position

The Group's equity at the end of the period totalled SEK 626.1 million (561.8), producing an equity/assets ratio of 75.4 percent (70.4). Cash and cash equivalents amounted to SEK 99.8 million (72.4) at the end of the year. Cash flow from operating activities during the year totalled SEK 125.5 million (9.1).

Share data and key ratios

Earnings per share were SEK 0.02 (0.04) and equity per share was SEK 0.68 (0.61).

Employees

The average number of employees was 258 persons (240). The number of employees at the end of the period was 284 (263), 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.

We have 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 2022 SEK 21.6 million (17.9) 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 2022 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 25.

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 164,428,138 shares. 163,180,523 of these shares are held by Gatso Special Products BV, with 17.70 % of total shares (17.70). For more information, see page 21, Sensys Gatso Group share information and ownership structure.

The annual general meeting in May 2022 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.

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 24.6 million (22.0) and profit before taxation amounted to SEK -7.4 million (6.4).

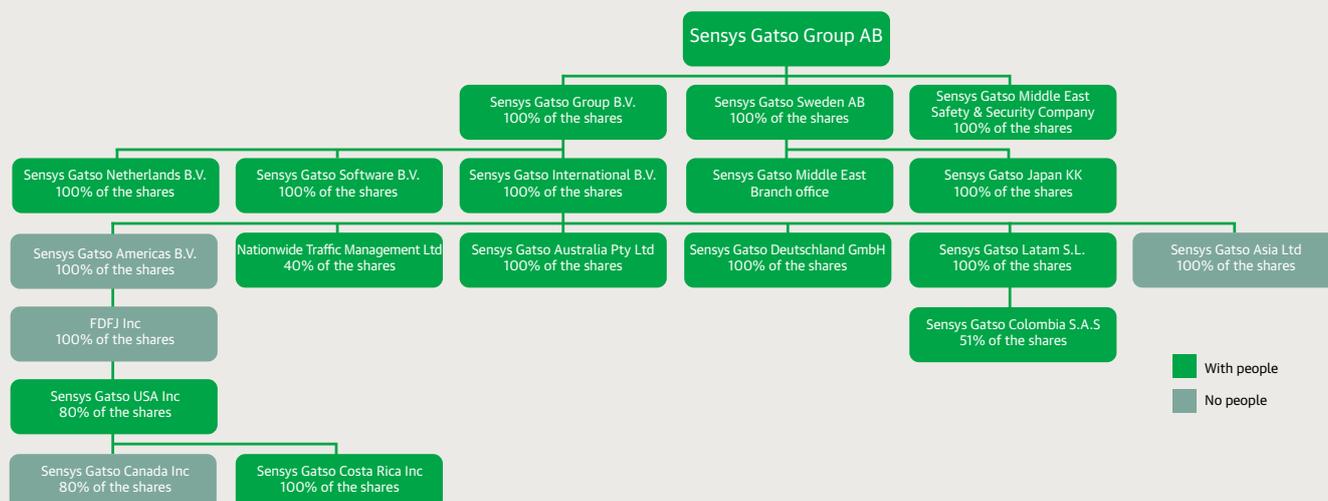
Proposed appropriation of profit or loss

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

| | |
|-----------------------|--------------------|
| Share premium reserve | 475,511,996 |
| Retained earnings | -33,147,498 |
| Total SEK | 442,364,498 |

For detailed movements in shareholders equity we refer to page 68.

The Board of Directors proposes that no dividend will be paid for 2022 and the retained earnings be carried forward.



Financial performance

A five-year summary

| INCOME STATEMENT | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------|-------------|-------------|-------------|-------------|
| Sales | 494,575 | 506,789 | 454,933 | 406,325 | 380,349 |
| Operating expenses | -463,752 | -460,881 | -444,112 | -430,717 | -379,760 |
| Operating profit/loss | 30,823 | 45,908 | 10,821 | -24,392 | 589 |
| Financial items | 2,255 | 1,400 | -8,346 | -3,137 | -1,685 |
| Profit/loss before tax | 33,078 | 47,308 | 2,475 | -27,529 | -1,096 |
| Income tax | -13,023 | -12,318 | 1,478 | 12,418 | -1,376 |
| Profit/loss for the year/Total profit/loss | 20,055 | 34,990 | 3,953 | -15,111 | -2,472 |

| BALANCE SHEET | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------|-------------|-------------|-------------|-------------|
| Noncurrent assets | 490,922 | 436,379 | 416,237 | 456,830 | 404,160 |
| Current assets | 337,329 | 361,115 | 351,007 | 249,047 | 227,502 |
| Total assets | 828,251 | 797,494 | 767,244 | 705,877 | 631,662 |
| Shareholders' equity | 626,068 | 561,801 | 514,559 | 448,854 | 454,796 |
| Noncurrent liabilities | 69,636 | 65,421 | 65,509 | 76,901 | 67,949 |
| Current liabilities | 132,547 | 170,270 | 187,176 | 180,122 | 108,917 |
| Total shareholders' equity and liabilities | 828,251 | 797,492 | 767,244 | 705,877 | 631,662 |

| DATA PER SHARE | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------------|-------------|-------------|-------------|-------------|
| Earnings per share 31 Dec, SEK | 0.02 | 0.04 | 0.01 | -0.02 | 0 |
| Shareholders' equity per share, SEK | 0.68 | 0.61 | 0.56 | 0.52 | 0.53 |
| Dividend per share, SEK | 0 | 0 | 0 | 0 | 0 |
| Share price 31 Dec, SEK | 0.99 | 0.96 | 1.67 | 1.36 | 1.82 |
| P/E ratio | 49 | 27 | 284 | Neg | Neg |
| Number of shares at end of period before dilution, thousands | 921,776 | 921,776 | 921,776 | 860,024 | 860,024 |
| Number of shares at end of period after dilution, thousands | 921,776 | 921,776 | 921,776 | 860,024 | 860,024 |
| Average number of shares during the period before and after dilution, thousands | 921,776 | 921,776 | 879,245 | 860,024 | 848,691 |



Simon Mulder, CFO, Sensys Gatso Group AB

“The financial year 2022 is the third consecutive year with profit for the group”

| KPI | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------|---------|---------|---------|---------|
| Order intake | 1,456,104 | 368,248 | 788,353 | 561,940 | 480,284 |
| Sales | 494,575 | 506,789 | 454,933 | 406,325 | 380,349 |
| Gross margin % | 45.5% | 40.6% | 35.6% | 35.7% | 42.5% |
| Operating profit (EBITDA)* | 73,344 | 83,502 | 59,438 | 28,567 | 37,562 |
| Operating margin (EBITDA) | 14.8% | 16.5% | 13.1% | 7.0% | 9.9% |
| Operating profit (EBIT) | 30,823 | 45,908 | 10,821 | -24,392 | 589 |
| Operating margin (EBIT) | 6.2% | 9.1% | 2.4% | Neg | 0.0% |
| Profit for the period | 20,055 | 34,991 | 3,954 | -15,111 | -2,472 |
| Net margin | 4.1% | 6.9% | 0.9% | Neg | Neg |
| Return on equity | 3.2% | 6.2% | 0.8% | Neg | Neg |
| Equity/Assets ratio | 75.4% | 70.40% | 67.30% | 63.40% | 71.80% |
| Interest-bearing liabilities* | 75,675 | 116,326 | 118,301 | 129,375 | 58,891 |
| Adjusted interest-bearing liabilities* | 53,082 | 93,383 | 89,924 | 95,926 | 58,891 |
| Net interest-bearing debt* | -24,043 | 43,863 | 9,812 | 77,002 | -17,716 |
| Adjusted Net interest-bearing debt* | -46,636 | 20,920 | -18,565 | 43,553 | -17,716 |
| (Net) Working capital | 204,782 | 190,845 | 163,831 | 68,925 | 117,478 |
| Free available cash | 170,540 | 101,826 | 147,729 | 84,927 | 153,179 |
| Cash flow from operations | 125,549 | 9,147 | 15,466 | -3,740 | 49,307 |
| Number of employees | 284 | 263 | 252 | 252 | 195 |
| Average number of employees (FTE) | 258 | 240 | 230 | 202 | 162 |

*Calculation samples

Interest bearing debt

| TSEK | 2022 |
|---|----------------|
| Lease liabilities | 22,593 |
| Bank Loans and Credit facilities | 30,825 |
| Shareholder loans | 22,257 |
| Cash and bank | -99,718 |
| Net Interest-bearing debt | -24,043 |
| -/- Lease liabilities | -22,593 |
| Adjusted Net Interest-bearing debt | -46,636 |

Interest bearing liabilities

| TSEK | 2022 |
|--|---------------|
| Lease liabilities | 22,593 |
| Bank Loans and Credit facilities | 30,825 |
| Shareholder loans | 22,257 |
| Interest-bearing liabilities | 75,675 |
| -/- Lease liabilities | -22,593 |
| Adjusted interest-bearing liabilities | 53,082 |

Operating profit (EBITDA)

| | 2022 |
|------------------|---------------|
| Operating profit | 30,823 |
| Depreciation | 42,521 |
| | 73,344 |

KPI

Definition

| | |
|---------------------------------------|--|
| Gross margin | Gross profit as a percentage of net sales |
| Operating profit (EBIT) | Profit for the period before net financial items and tax |
| Operating margin | Operating profit (EBIT) as a percentage of net sales |
| Operating profit (EBITDA) | Operating profit (EBIT) before depreciation and amortisation |
| Net margin | Profit for the period as a percentage of net sales |
| Return on equity | Profit for the period as a percentage of (average) shareholders' equity |
| Equity/Assets ratio | Total Shareholders' equity as a percentage of total assets |
| Earnings per share | Profit for the period divided by the (average) number of outstanding shares |
| Interest-bearing liabilities | All interest-bearing debts (the sum of on balance lease liabilities, bank loans & credit facilities and shareholder loans) |
| Adjusted interest-bearing liabilities | Interest-bearing liabilities adjusted for on balance lease liabilities |
| Net interest-bearing debt | Interest-bearing liabilities less cash and bank balances |
| Adjusted Net interest-bearing debt | Interest-bearing liabilities adjusted for on balance lease liabilities less cash and bank balances |
| (Net) Working capital | The balance of current assets (inventory & work in progress, trade receivables, other current assets and cash) less current liabilities (trade payables and other current interest-free liabilities) |
| Free available cash | Cash banks and balances plus remainder of the credit facilities available to the group, but excluding long-term loan facility not taken up. |
| Cash flow from operations | Cash flow from operations is the amount of cash generated by the normal business operations based on the indirect method. |
| Order intake | The sum of purchase orders received in the period |
| Purchase order | Received order to deliver goods or services |
| Procurement award | Contract with estimated sales volume against fixed conditions over a period of time without purchase order obligations |
| Number of employees | The number of employees (fixed and variable) at the end of the period |
| Average number of employees (FTE) | The number of average full time equivalent employees during a period |

Corporate Governance Report 2022

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarters in Jönköping, listed on Nasdaq Stockholm, Small Cap. Sensys Gatso applies and follows the Swedish Code of Corporate Governance and hereby submits the 2022 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.

Starting point

Good corporate governance, risk management, internal control and management are key components in a successful business. They are essential for Sensys Gatso's ability to continue to grow with profitability and a hygiene factor in building trust-based relationships with our investors and other stakeholders.

Corporate governance structure

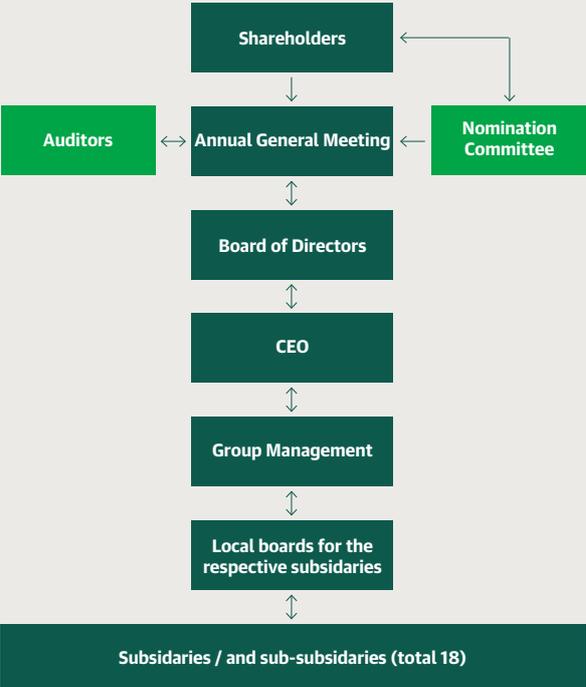
Sensys Gatso's decision-making bodies are the Annual General Meeting, the Board, the chief executive officer (CEO) and the company's auditor. At the ordinary General Meeting, which is to be held within six months of the end of the financial year (the Annual General Meeting), the shareholders appoint a Board and an auditor. The Board appoints the CEO. The auditor reviews the Annual accounts as well as the administration by the Board and the CEO. The Nomination Committee is tasked with proposing Board members, the Chairman of the Board and the auditor for election by the Annual General Meeting.

Shares and shareholders

Information on Sensys Gatso's shares and shareholders can be found on page 21. The number of shareholders at year-end was 16,819 (17,041). The largest individual shareholder is Gatso Special Products BV via BNP PARIBAS SEC SERVICES PARIS, W8IMY with a total of 17.70 percent (17.70), and the next largest shareholder is Försäkringsaktiebolaget Avanza Pension with 4.2 percent.

General Meeting

The Annual General Meeting (AGM) is Sensys Gatso's highest decision-making body. Shareholders included in the share register on the record date and who have given notice of their participation in time, are entitled to attend the AGM and to vote in person or via a proxy. At the AGM, shareholders exercise their voting rights to resolve on proposals from the Nomination Committee, the Board and the shareholders, as well as on key matters including the adoption of income statements and balance sheets, approval of the appropriation of the company's profit and discharge of the Board and CEO from their liabilities for the Nomination committee and election of the Board of Directors. The AGM also resolves on the composition of the Nomination Committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other senior executives. In addition, auditors are elected, fees are determined and other statutory matters are addressed. Resolutions are normally approved by a simple majority at the AGM. In certain matters, however, the Companies Act stipulates that a proposal must be approved by a greater propor-



tion of the votes represented at the AGM. In addition to the AGM, which is held within six months of the end of the financial year, an Extraordinary General Meeting may be announced if the Board considers this to be necessary or if this is requested by a shareholder holding at least 10 percent of the shares.

Annual General Meeting

The 2022 AGM was held on 12 May in Jönköping and also via postal voting in accordance with the Act (2020:198) on temporary exemptions to facilitate the conduct of general and association meetings. A total of 17.41 percent (19.98) of the total number of shares and votes was represented. The CEO informed the AGM about the position of the company and commented on the results for 2021, and the first quarter of 2022. During the AGM, shareholders were given the opportunity to ask questions. Minutes from the AGM can be found on the Sensys Gatso website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting:

Board of Directors

» The annual general meeting discharged the members of the Board of Directors and the CEO from liability for the fiscal year 2021.

» The annual general meeting resolved to re-elect Claes Ödman, Jochem Garritsen, Kerstin Sjöstrand, Pia Hofstedt and Christina Hallin and to elect Francis Schmeer as members of the Board of Directors for the period until the end of the next annual general meeting. The annual general meeting elected Claes Ödman as Chairman of the Board of Directors.

Auditor

» The annual general meeting resolved to elect BDO Mälardalen AB as auditor for the period until the end of the next annual general meeting. BDO Mälardalen AB has appointed the authorised public accountant Johan Pharmanson auditor in charge.

Remuneration to the members of the Board of Directors and the auditor

» The annual general meeting resolved that the remuneration to the members of the Board of Directors shall be SEK 1,750,000, to be allocated as follows: SEK 500,000 to the Chairman of the Board of Directors and SEK 250,000 each to the other members of the Board of Directors. The annual general meeting further resolved that remuneration to the auditor shall be paid in accordance with approved invoice within framework of the submitted quotation.

Long-term incentive program for key executives and employees

» The annual general meeting approved the Board of Directors' proposal on long-term incentive program for key executives and employees including issuance of up to 44,000,000 warrants.

Issuance authorisation

» In accordance with the Board of Directors' proposal, the annual general meeting resolved to authorise the Board of Directors, for the period until the next annual general meeting, to resolve on new issues of shares corresponding to not more than ten per cent of the total number of outstanding shares in the company.

Acquisition and transfer of own shares

» In accordance with the Board of Directors' proposal, the annual general meeting resolved to authorise the Board of Directors, for the period until the next annual general meeting, to resolve on acquisition and transfer of own shares on Nasdaq Stockholm. The company's holding of own shares at any given time must not exceed five per cent of the total number of shares in the company.

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 at the end of the financial year and the beginning of the new year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making 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 2022 Nomination Committee were appointed based on the ownership structure as per 30 September 2021 and known changes thereafter.

The Nomination Committee has consisted of:

- » Jan Johansson (appointed by Inger Bergstrand),
- » Per Wall (for his own holdings),
- » Timo Gatsonides (for his own and others' holdings) and
- » Claes Ödman (in his capacity of Chairman of the Board for the company).

Timo Gatsonides was appointed Chairman of the Nomination Committee. No remuneration has been paid for the work of the Nomination Committee. Sensys Gatso Group deviates from the Code's rule 2.3, second paragraph, which states that neither the CEO nor other members of executive management are to be members of the Nomination Committee. The shareholder controlling the largest number of the votes has appointed Timo Gatsonides, who was the CTO of Sensys Gatso Group and former member of executive management until January 19, 2021. In light of Timo Gatsonides' knowledge of Sensys Gatso and his large direct shareholding through a family company, it was deemed beneficial to the company to deviate from the Code on this point.

The nomination committee applies and complies with the diversity policy in the corporate governance code in its development of the proposal of directors to the board of directors. The goal of the policy is that the board shall take into account the business operations, development phase and other circumstances to prepare an appropriate composition characterized by diversity of and breath of competence, experience and background and to aim for a balanced gender distribution.

The Nomination Committee ahead of 2023 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 | 20,659,837 | 2014 |
| Timo Gatsonides | Gatso Special Products BV | 163,180,523 | 2015 |
| Claes Ödman | Chairman of the Board | 671,818 | 2016 |

At the 2022 AGM, six members were elected, of whom three are women and three are men. As a basis for its proposal for the 2023 AGM, the Nomination Committee makes an assessment of whether the Board is appropriate based on an annual assessment of the Board's work and applying the Company Code. All shareholders are entitled to approach the Nomination Committee with proposals for the AGM. No such proposals were received before the AGM in 2022.

Role and composition of the Board

The company's business is to develop and market traffic enforcement and traffic informatics products. The Board plays a central role in Sensys Gatso's long-term strategy, which is based on four pillars and is focused on profitable growth:

- » Expansion in the US with traffic enforcement as a service
- » Establishment in new markets with traffic enforcement as a service
- » Development of scalable software and flexible hardware
- » Expansion of service offering in our current markets

After the Annual General Meeting, the Board is the Company's highest decision-making body. The work of the Board is governed, among other things, by the Companies Act, the Articles of Association and the Board's Rules of Procedure. The Board establishes goals and strategic guidelines, is responsible for ensuring that the CEO executes Board decisions and has ultimate responsibility for the Company's internal control and risk management. According to the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of seven members. At the AGM, six ordinary Board members were elected. More information on the Board members can be found in the table below. The Board of Sensys Gatso consists of:

- » Claes Ödman, Chairman of the Board (re-election)
- » Jochem Garritsen (re-election)
- » Kerstin Sjöstrand (re-election)
- » Pia Hofstedt (re-election)
- » Christina Hallin (re-election)
- » Francis Schmeer (new election)

All members of Sensys Gatso's Board of Directors are independent in relation to both the company and the company's major 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 see below and page 34.

The work is based on the Board's Rules of Procedure and follows an annual plan. Each meeting is based on an agenda and relevant background documentation distributed to the members of the Board in advance of the meeting. In addition to the statutory Board meeting in conjunction with the Annual General Meeting, the Board normally meets nine times a year (ordinary meetings, including meetings in connection with the publication of interim and annual reports). Additional Board meetings are convened when necessary. In 2022 the Board held a total of 10 (15) meetings. Matters addressed by the statutory Board meeting included the Board's Rules of Procedure, decisions regarding authorisation of company signatories, instructions for the CEO and the Board's annual planning. To date, not having found this appropriate in view of the size of the company and the independence of the board members, the Board has not established an Audit Committee or Remuneration Committee. The entire Board of Directors serves as the audit committee and remuneration committee. Ordinary Board meetings include several fixed agenda items such as strategic focus areas and risk management. Extra time is allocated to four Board meetings annually during which special emphasis is placed on strategic issues and future business. Reporting includes developments within the operation, the organisation, analyses of risks, sustainability work, financial position and an annual update and review of the company's policies. The Board takes decisions on matters concerning the Group's strategic focus, finances, investments, acquisitions, sales and organisational issues, as well as rules and policies. All Board decisions are based on decision-making documentation and are made following discussions mediated by the Chairman of the Board. The Board monitors 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.

The Chairman of the Board leads the work of the Board and follows the activities in dialogue with the CEO. The Chairman of the Board represents the Company in matters concerning shareholder structure and matters of specific importance. The Chairman is responsible for ensuring that the work of the Board is well-organised and efficient, that the Board fulfils its commitments and that it receives satisfactory information and decision-making documentation.

Board of Directors, as per year end 2022

| Board of Directors elected by the AGM | Attendance | Born | Elected | Fee | Number of shares/votes | Nationality | Function | Independent* |
|---------------------------------------|------------|------|-----------|---------|------------------------|-------------|-----------------------|--------------|
| Claes Ödman | 10/10 | 1965 | 2011 | 500,000 | 671,818 | Swedish | Chairman of the Board | independent |
| Kerstin Sjöstrand | 10/10 | 1958 | 2016 | 250,000 | 334,162 | Swedish | Board member | independent |
| Pia Hofstedt | 10/10 | 1961 | 2016 | 250,000 | 400,000 | Swedish | Board member | independent |
| Christina Hallin | 10/10 | 1960 | 2019 | 250,000 | 52,500 | Swedish | Board member | independent |
| Jochem Garritsen | 10/10 | 1972 | 2015 | 250,000 | 110,142 | Dutch | Board member | independent |
| Francis Schmeer | 7/7 | 1972 | 2022 | 146,000 | 230,000 | American | Board member | independent |
| Nishant Batra | 3/7 | 1978 | 2020-2021 | 104,000 | 0 | Swedish | Board member | independent |

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

Committees

Work in the audit committee and remuneration committee is handled according to the Board's annual plan at ordinary Board meetings. The Board takes responsibility for, and makes decisions concerning the salaries and incentive programs of the CEO and the executive management based on policies determined by the AGM. The Board is responsible for the audit. The Board fulfils this duty by maintaining regular contact with the auditing firm, meets the company's auditor without the company's management and by examining their plan for the audit activities and remuneration for this work.

Evaluation of the work of the board

The work of the Board is evaluated annually through a structured process led by the Chairman of the Board. The 2022 evaluation was conducted by means of a questionnaire with the aim of obtaining an understanding of Board members' views on the formats of the work of the Board, the composition of the Board, of Directors, the performance of the Board and areas for improvement. The results of the evaluation have been presented and discussed by the Board. The conclusions from these evaluations and discussions have been reported orally to the Nomination Committee.

The Chairman of the Board leads the work of the Board and follows the activities in dialogue with the CEO. The Chairman of the Board represents the Company in matters concerning shareholder structure and matters of specific importance. The Chairman is responsible for ensuring that the work of the Board is well-organised and efficient, that the Board fulfils its commitments and that it receives satisfactory information and decision-making documentation.

Remuneration to the Board

The AGM resolved that Board fees should be paid in the amount of SEK 1,750,000 per year (1,750,000), of which SEK 500,000 (500,000) will be paid to the Chairman of the Board and SEK 250,000 (250,000) per year to the other Board members.

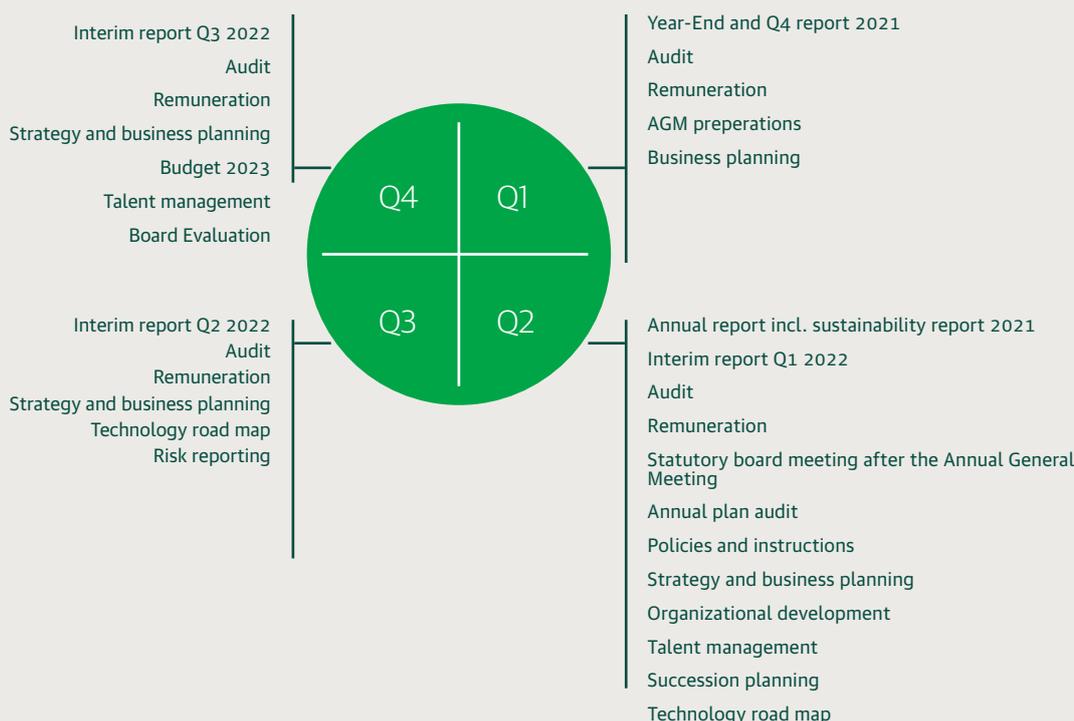
Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on committees. In 2022, remuneration was paid in accordance with note 2.

Ensuring the quality of financial reporting

The Rules of Procedure, as well as the company's policies, which are adopted annually by the Board, include detailed instructions on matters such as what financial reports and information should be provided to the Board. In addition to year-end reports, interim reports and annual reports, the Board reviews and evaluates extensive financial data regarding Sensys Gatso. The Board also processes information on risk assessments, disputes and any irregularities that may have an impact on the financial position of Sensys Gatso. The Board also reviews the most significant accounting principles applied in the Group regarding financial reporting and material changes in accounting principles, as well as reports on internal control and the processes for financial reporting.

The Company's auditors report to the Board when necessary and at least twice annually; on at least one of these occasions the company's management is not present. In connection with the Board meeting that deals with the annual financial statements, the Administration Report, the proposed appropriation of profit and the year-end report, the Company's auditor submits a report on observations and remarks from the audit.

Board work 2022



The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the administration of the company by CEO and the Board of Directors, as well as the annual accounts of subsidiaries. The auditor also 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. The 2022 AGM appointed BDO Mälardalen AB as auditor with Johan Pharmansson as the auditor in charge. In February 2023, Johan Pharmansson from BDO Mälardalen AB personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2022. BDO Mälardalen AB coordinated the audit of the Group's subsidiaries and all activities with a significant scope of operations at the subsidiaries were audited by BDO in the respective countries. The 2022 AGM resolved that remuneration be paid to the auditor in accordance with approved invoicing. The audit fee for 2022 amounted to a total of MSEK 3.3 for the entire Group in accordance with Note 21.

CEO and Group Management

The CEO leads the operations in accordance with the instructions to the CEO as adopted by the Board. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work. The CEO is responsible for ensuring that the Board receives relevant information and the decision-making documentation required for the Board to be able to make well-founded decisions. The CEO presents and justifies proposals for decisions. The CEO leads the work of the Group Management and renders decisions in consultation with other members of the management team. In 2022, Group Management consisted of the CEO, CFO, CCO and CTO. Group Management holds regular meetings to follow up operations, discuss relevant matters and draft proposals for strategic plans and budgets, which the CEO presents to the Board for decisions. Group Management has strategy days with the Board twice a year.

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

Guidelines for remuneration and other employment terms and conditions for senior executives

The Group Management falls within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting. Remuneration for employment subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or local practice, taking into account the overall purpose of these guidelines. The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

In short, the Company's business strategy is the following.

- » Expansion in the US-market with Traffic Enforcement as a Service
- » Entry into new markets with Traffic Enforcement as a Service
- » Developing scalable software & flexible hardware
- » Extension of the service scope in existing markets

For more information regarding the Company's business strategy, please see www.sensysgatso.com

The Company shall offer total remuneration at the prevailing market rate to enable the recruitment and retention of senior executives.

Types of remuneration, etc.

Remuneration of the Group Management shall consist of a base salary, variable remuneration, pension and other benefits and remuneration. Together, these various parts shall comprise each individual's total remuneration. Additionally, long-term share-related incentive plans can be implemented in the Company. Such plans are resolved by the General Meeting and are therefore excluded from these guidelines. Variable remuneration covered by these guidelines shall aim at promoting the Company's business strategy and long-term interests, including its sustainability. The base salary and variable compensation together constitute the senior executive's annual salary. The base salary shall take into consideration each individual's area of responsibility and experience. The variable compensation shall be linked to predetermined and measurable criteria. The variable compensation is based on the Company's net sales and EBITDA for the financial year, and may be paid to the Group Management. For the CEO and other members of the Group Management the variable compensation can amount to a maximum 50 per cent of their annual base salary. No variable compensation is to be paid out in the event of negative EBITDA. The Board of Directors is responsible for evaluating to what extent the criteria have been satisfied. The criteria shall be designed so as to contribute to the Company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The CEO shall benefit from a supplementary pension scheme with a premium that represents approximately 30 percent of the current annual salary. Other members of the Group Management shall have the right to retirement pensions as per the Swedish ITP plan or equivalent. The retirement age is 65 years. Other remuneration and benefits shall be paid at market rate and contribute to enabling each senior executive to fulfill their duties. Such benefits may be of a limited amount. For employment governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or local practice, taking into account the overall purpose of these guidelines.

The CEO's employment contract includes termination conditions. The notice period is six months. If notice is made from the Company's side a severance pay in the form of another three months' salary is paid. The customary notice period of three to six months applies to all other members of the Group Management. The fixed salary shall remain unchanged during the notice period. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously

employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 9 months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Company does not have a Remuneration Committee, instead the Board of Directors handle all matters. The matters that would have been handled by a Remuneration Committee are instead handled by the Board of Directors, inter alia, preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors also monitors and evaluates questions regarding the CEO's terms of employment, pension benefits and variable remuneration, and resolves on corresponding terms regarding other senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Board of Directors shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Board of Directors' tasks include preparing the resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines. Remuneration to senior executives can be found in note 2.

Governing documents and internal control

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 thus the shareholders' investment. The Board has overarching responsibility for ensuring that Sensys Gatso maintains satisfactory internal control. The CEO is responsible for ensuring that there is a satisfactory system of internal control covering all material risks in ongoing operations. Each year, the Board adopts governing documents in the form of instructions to the CEO, policies and guidelines including the Code of Conduct, Anti-Corruption Policy, Privacy and Data Protection Policy, Risk Policy, Information Policy, Insider Policy and Whistle Blower Policy. The company has procedures for training and compliance, assessment and evaluation of internal efficiency. The company's business plan with follow-up is an important means of ensuring internal control. The Board's Rules of Procedure along with the instructions for the CEO provide guidance and clarify what decisions are made by the Board and what decisions are made by the CEO. Given the operations and organisational structure of the Sensys Gatso Group, as well as how financial reporting is organised in other respects, the Board did not find a need for a dedicated audit function in the form of internal audit.

The CEO is responsible for ensuring that the Board of Directors receives the reports required to continually assess the financial position of the company. The Board continually assesses the financial reporting, which includes financial developments, financial position, cash flow and liquidity, as well as other important conditions. The CEO and CFO, who report to the Board, are responsible for maintaining an effective control environment and the ongoing processes of internal control and risk management. The Board maintains an ongoing dialogue with the Company's auditor regarding the scope and quality of the Company's financial reporting, as well as the effectiveness of the internal control and governance.

The Sensys Gatso Group's operations comprise active subsidiaries. The operations of the subsidiaries are controlled by their Boards of Directors with representatives from Group Management. Sensys Gatso has a decentralized structure and culture, with a strong focus on responsibility and performance.

Code of Conduct, policies and guidelines

The Board yearly review and approve the following corporate policies that supports Sensys Gatso's corporate culture:

- » Code of Conduct
- » Anti Corruption Policy
- » CSR policy
- » Equality policy
- » Whistle Blower Policy
- » Information Security Policy
- » Privacy Policy
- » IR & Communication Policy
- » Insider Policy
- » Social Media Policy
- » Risk Policy
- » Finance Policy

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

The Code of Conduct is to be followed by everyone in our Group, including our employees, the Board and management. We also inform our business partners about the Code of Conduct, and we expect them to comply with it.

Our Code of Conduct states that we are to act as a reliable and honest partner, living up to our 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, labour conditions, the environment, business ethics and communication. The Code applies to all Sensys Gatso employees, regardless of their position.

In addition to the code of conduct, the board adopts a large number of policies and guidelines, e.g. anti-corruption policy, whistleblower policy, data and information security policy, risk policy, information policy and insider policy.

Equality policy

Differences between people include not only gender, ethnic origin, age, disability, religion and sexual orientation, but also experience, education, living situation and values. Taken together, such differences create 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 strive 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 groups purely/primarily due to their gender, or so that a group does not become single gendered. Candidates are appointed to positions based on the defined requirements profile. If candidates are equally qualified, Sensys Gatso shall ensure that the company's work groups 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 filling vacant positions, the company shall also strive to achieve the best possible age and ethnicity distribution.

In practice, this means that management takes responsibility and strives to ensure that the company's groups have a good balance of employees whose time and skills are used in a manner that benefits both operations and individual personal development. 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.

Risk assessment

The company continuously monitors risk and updates its analysis and assessment of risks that could lead to errors in the financial reporting. This is achieved mainly through documented procedures and contacts between the CEO and CFO. 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 minimise these risks, governing documents have been established for accounting and there are procedures for annual reporting and follow-up of reported annual accounts. The financial reporting is managed through the Group's control structure. Management also works continuously to identify and manage significant risks that affect the financial reporting. More information about the company's risk management and financial risks can be found in Note 25.

Management identifies those areas that are at increased risk of strategic, financial, or operational errors. In accordance with the risk policy, at least once a year the Board analyses the outcome of the company's risk assessment and risk management to ensure that it covers all significant risk areas.

Control activities

Sensys Gatso has established and documented a number of internal procedures that are both preventive in nature and aimed at avoiding losses or errors in the financial reporting. Control activities involve all levels in the organisation. 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 balances, as well as accounting and valuation principles.

Financial reports are prepared for the Group each quarter. The process includes detailed reviews and analyses, as well as specific analyses of revenue recognition, cost follow-up, investments, cash flow, financing and liquidity. The control environment, which is summarised in Sensys Gatso's policies and guidelines, is established based on how the operations are organised, the corporate culture, communication, documentation and follow-up. The main task for management and its employees is, in part, to apply, assess and maintain Sensys Gatso's control procedures and, in part, to perform internal control focused on business-critical issues. The company's auditor reviews a selection of controls and procedures and reports any areas for improvement to the management team and the Board. Nothing has emerged to indicate that the control system would not work as intended.

The Sensys Gatso share is listed on a regulated market, Nasdaq Stockholm, and the company applies and follows the Nasdaq Rulebook for Issuers of Shares, as well as laws, rules, and good practices in the stock market. The share is traded under the ticker symbol SENS.



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: President of AddSecure Smart Transport. Previously COO and member of Group management of Swiss listed company Ascom as well as various executive positions at Ericsson AB, including in Singapore and Taiwan.

Shareholding: 671,818 shares.



JOCHEM GARRITSEN

Born: 1972

Board member since 2015.

Education: Master of Science degree in Systems Engineering, Policy Analysis and Management, University of Delft. Jochem is from the Netherlands.

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.

Other directorship: No

Shareholding: 110,142 shares.



CHRISTINA HALLIN

Born: 1960

Board member since 2019.

Education: MSc in Engineering Chalmers University of Technology.

Background: Current position CEO SEM AB, previous Vice President Volvo Trucks China and India respectively, Senior Vice President of Dong Feng Commercial Vehicles, Various senior positions within Volvo Group.

Other directorship: Board member of Bulten AB (publ), Alimak Group AB (publ) and SEM (Swedish Electromagnet AB).

Shareholding: 52,500 shares.



PIA HOFSTEDT

Born: 1961

Board member since 2016.

Education: Degree in Business Administration from Stockholm University and management training, Dale Carnegie.

Background: 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.

Other directorship: CEO Hofstedt Management & Consulting, Board member Seamless Distribution Systems.

Shareholding: 400,000 shares.



FRANCIS SCHMEER

Born: 1972

Board member since 2022.

Education: MBA from the London Business School. Bachelor's degree in Marketing from Georgetown University, Washington DC, USA.

Background: Group CEO at Connect44. Previously Chief Sales & Marketing Officer and member of Group management of Swiss listed company Ascom. Has previously held various executive positions at Sony Ericsson, T-Mobile, Samsung and Goldman Sachs.

Other directorship: No

Shareholding: 230,000 shares.



KERSTIN SJÖSTRAND

Born: 1958

Board member since 2016.

Education: B.Sc. Business Administration from Stockholm University.

Background: 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.

Other directorship: No

Shareholding: 334,162 shares.

All board members are 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: 1,642,615 shares.

5,500,000 LTIP 2021 call options valid from June, 2024.



SIMON MULDER
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: 172,500 shares.

2,750,000 LTIP 2021 call options valid from June, 2024.



PÄR DEGERMAN

CTO, from 15 February 2021

Born: 1976

Employed since: 2021

Education: Master of Science and a Licentiate degree from Linköping University.

Background: International technical background from Scania and Einride where he has served as CTO of the company.

Other directorship: No

Shareholding: 104,474 shares.

2,750,000 LTIP 2021 call options valid from June, 2024.



JORIS LAMPE

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: 175,000 shares.

2,750,000 LTIP 2021 call options valid from June, 2024.

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 | 2022 | 2021 |
|--|-------------------|----------------|----------------|
| Net sales | 1,3 | 494,575 | 506,789 |
| Cost of sales | 4 | -269,670 | -300,854 |
| Gross profit | | 224,905 | 205,935 |
| Selling costs | | -81,703 | -66,057 |
| Administrative costs | | -77,193 | -63,823 |
| Development costs | | -43,934 | -36,268 |
| Other operating costs | | 8,748 | 6,121 |
| Operating profit/loss | 2,4,6,7,21 | 30,823 | 45,908 |
| Interest income/foreign exchange gains | | 6,499 | 6,425 |
| Interest expense/foreign exchange loss | | -4,244 | -5,025 |
| Net financial items | 8 | 2,255 | 1,400 |
| Profit/loss before tax | | 33,078 | 47,309 |
| Income tax for the year | 5 | -13,023 | -12,318 |
| Profit or loss for the year | | 20,055 | 34,991 |
| Profit attributable to owners of Sensys Gatso Group AB | | 18,556 | 32,578 |
| Profit attributable to non-controlling interest | | 1,499 | 2,413 |
| | | 20,055 | 34,991 |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Translation differences | | 39,229 | 10,466 |
| Total other comprehensive income for the period, net after taxes | | 39,229 | 10,466 |
| Total comprehensive income for the year | | 59,284 | 45,457 |
| Total comprehensive income attributable to owners of Sensys Gatso Group AB | | 57,785 | 43,044 |
| Total comprehensive income attributable to non-controlling interest | | 1,499 | 2,413 |
| Total comprehensive income for the year | | 59,284 | 45,457 |
| Earnings per share before dilution | | 0.02 | 0.04 |
| Earnings per share after dilution | | 0.02 | 0.04 |
| Proposed dividend per share | | - | - |
| Average number of outstanding shares before dilution, thousands | | 921,776 | 921,776 |
| Average number of outstanding shares after dilution, thousands | | 921,776 | 921,776 |
| Number of outstanding shares, thousands | | 921,776 | 921,776 |

Group

Balance Sheet

| TSEK | Note | 31 Dec 2022 | 31 Dec 2021 |
|---|-------------|--------------------|--------------------|
| ASSETS | | | |
| INTANGIBLE FIXED ASSETS | | | |
| Goodwill | | 276,735 | 251,127 |
| Brand | | 6,354 | 8,011 |
| Customer contracts and Customer relations | | 0 | 501 |
| Product and software development | | 63,084 | 48,023 |
| | 9 | 346,173 | 307,662 |
| TANGIBLE FIXED ASSETS | | | |
| Property, plant and equipment | 10 | 83,470 | 70,571 |
| Right of use assets | 7 | 21,106 | 21,643 |
| | | 104,577 | 92,213 |
| FINANCIAL FIXED ASSETS | | | |
| Deferred tax assets | 11 | 39,916 | 36,238 |
| Other noncurrent assets | | 256 | 266 |
| | | 40,172 | 36,504 |
| | | 490,922 | 436,379 |
| INVENTORIES | | | |
| Work in progress | | 76,440 | 77,366 |
| Finished products and systems for resale | | 8,737 | 19,421 |
| | 12 | 85,177 | 96,787 |
| OTHER CURRENT ASSETS | | | |
| Trade receivables | 13, 16 | 67,449 | 141,282 |
| Current tax assets | | 2,204 | 2,400 |
| Other receivables | | 2,633 | 1,038 |
| Prepaid expenses and accrued income | 14, 16 | 80,148 | 47,145 |
| | | 152,434 | 191,865 |
| CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 16 | 99,718 | 72,463 |
| | | 99,718 | 72,463 |
| | | 337,329 | 361,115 |
| | | 828,251 | 797,494 |

Group

Balance Sheet

| TSEK | Note | 31 Dec 2022 | 31 Dec 2021 |
|---|------------|----------------|----------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY | | | |
| Share capital | 17 | 46,089 | 46,089 |
| Other contributed capital | 17 | 500,727 | 500,727 |
| Other reserves | | 66,090 | 26,862 |
| Retained earnings incl net profit for the year | | 11,264 | -12,273 |
| | | 624,170 | 561,405 |
| Non-controlling interest | | 1,897 | 398 |
| TOTAL SHAREHOLDERS' EQUITY | | 626,068 | 561,803 |
| LIABILITIES | | | |
| NON CURRENT LIABILITIES | | | |
| Borrowings | 15, 16, 17 | 21,982 | 23,292 |
| Liabilities to shareholders | 15, 16, 18 | 22,257 | 20,454 |
| Deferred tax liabilities | 11 | 9,451 | 3,379 |
| Other provisions | 19 | 3,850 | 4,049 |
| Lease liability | 7, 16, 17 | 12,096 | 14,247 |
| TOTAL NON CURRENT LIABILITIES | | 69,636 | 65,421 |
| CURRENT LIABILITIES | | | |
| Borrowings | 15, 16, 17 | 8,843 | 41,110 |
| Liabilities to shareholders | 15, 16, 18 | 0 | 8,527 |
| Other provisions | 19 | 7,116 | 8,390 |
| Lease liability | 7, 16, 17 | 10,497 | 8,696 |
| Trade payables | 16 | 20,392 | 37,118 |
| Current tax liabilities | 5 | 18,234 | 12,384 |
| Accrued expenses and deferred income | 20 | 67,466 | 54,045 |
| TOTAL CURRENT LIABILITIES | | 132,547 | 170,270 |
| TOTAL LIABILITIES | | 202,183 | 235,691 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 828,251 | 797,494 |

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 2021 | 46,089 | 500,727 | 16,393 | -46,636 | -2,015 | 514,559 |
| Net profit of the year | | | | 32,578 | 2,413 | 34,991 |
| Other comprehensive income | | | 10,468 | | | 10,468 |
| Stock related remunerations | | | | 1,785 | | 1,785 |
| Shareholders' equity 1 Jan 2022 | 46,089 | 500,727 | 26,861 | -12,273 | 398 | 561,803 |
| Net profit of the year | | | | 18,556 | 1,499 | 20,055 |
| Other comprehensive income | | | 39,229 | | | 39,229 |
| Stock related remunerations | | | | 4,981 | | 4,981 |
| Shareholders' equity 31 Dec 2022 | 46,089 | 500,727 | 66,090 | 11,264 | 1,897 | 626,068 |

| | 2022 |
|--|-------------|
| Number of shares | 921,776 |
| Profit attributable to owners of Sensys Gatso Group AB | 18,556 |
| EARNINGS PER SHARE | 0.02 |

Group

Cash Flow

| TSEK | 2022 | 2021 |
|--|----------------|----------------|
| Operating profit/loss | 30,823 | 45,908 |
| Adjustments for non-cash items | | |
| Depreciation and amortisation | 42,521 | 37,594 |
| Movement in warranty provision | -1,616 | 797 |
| Exchange rate effects | 9,356 | -11,665 |
| Other non cash items | -5 | 165 |
| Adjustments for non-cash items | 50,256 | 26,891 |
| Interest paid | -1,284 | -3,046 |
| Income taxes paid / received | -12,099 | 475 |
| Cash flow from operating activities before changes in working capital | 67,696 | 70,228 |
| Cash flow from changes in working capital | | |
| Trade receivables | 73,843 | -73,117 |
| Inventories | 11,610 | 30,530 |
| Trade payables | -16,726 | -25,299 |
| Other changes in working capital | -10,874 | 6,805 |
| Cash flow from operating activities | 125,549 | 9,147 |
| Investing activities | | |
| Investments in intangible assets | -21,600 | -17,863 |
| Investment in tangible assets | -23,407 | -24,093 |
| Cash flow from investing activities | -45,007 | -41,956 |
| Financing activities | | |
| Loan received | 5,175 | 25,398 |
| Repayments of loan | -8,061 | -5,978 |
| Movements on credit facilities | -32,267 | -1,747 |
| Repayments liabilities to shareholders | -8,888 | -10,231 |
| Lease payments (IFRS 16) | -11,136 | -11,032 |
| Cash flow from financing activities | -55,177 | -3,589 |
| Cash flow for the year | 25,365 | -36,398 |
| Cash and cash equivalents at beginning of the year | 72,463 | 108,489 |
| Translation on liquid funds | 1,890 | 372 |
| Cash and cash equivalents at end of the year | 99,718 | 72,463 |



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 2021 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. Intercompany 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.

Intercompany sales

Intercompany 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

System Sales

The group earns the majority of its revenues from system sales. It predominantly manufactures and assembles those systems to specific orders, but also retains some finished systems for speculative sale. System sales comprises the manufacturing and assembly of enforcement systems consisting of hardware and embedded software. It mainly manufactures and assembles those enforcement systems to specific orders. System sales contracts can be combined with a service and maintenance contract, which is seen as a separate performance obligation. The Group has both individual contracts and procurement contracts with its customers. For procurement contracts, a contract with a customer is not deemed to arise until the customer places an order based on the terms of the agreement as this is when enforceable rights and obligations for the Group and the customer arise.

Revenue is recognised based on the characteristics of a contract. System Sales is typically delivered at a point in time, when control passes to the customer. The group recognises revenue at a point in time, typically on delivery of the systems 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 systems are also referred to as One-off project sales. Revenues for embedded software development are recognised at a point in time when software has been delivered to the customer.

Pricing is dependent on the sales regions and the complexity of the enforcement solution that is required by our customers. Systems are typically sold with a 12 month warranty.

Invoicing is done based on contract specifics and can vary between pre invoicing and post invoicing or invoicing on certain milestones. The payment of invoices is typically between 30 and 60 days after invoice is issued.

A contract asset arises when the Group has satisfied the performance obligation, but still needs to invoice the customer (accrued income).

A contract liability arises when a customer makes prepayments (customer liability) or when the group has pre-invoiced (deferred income) before the performance obligation is satisfied.

Services (TRaaS)

Recurring service revenues are collectively referred to as Traffic Enforcement as a Service revenues (TRaaS). The group identifies the following TRaaS revenue streams:

- » TRaaS: Service & Maintenance
- » TRaaS: Managed Services
- » TRaaS: Licenses

TRaaS: Service & Maintenance

The Group's service organisation 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 systems in contract over a longer period of time or ad hoc 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 on a straight line basis using the output model. Ad hoc services are recognized on an ongoing basis as the services are carried out.

TRaaS: Managed Services

The Managed Services department delivers technology, processes violations, issues citations, collects fines and delivers helpdesk support. Revenues are recognised over a period of time based on the contract duration. Typically the group has a performance obligation to deliver enforcement services. Revenues are recognised based on delivering the enforcement services and are mainly dependent on traffic volumes.

TRaaS: Licences

Licence revenues relates to software licences fees. The performance obligation is to provide the software and maintain it over a period of time. The revenues are recorded over the contract period. Licences are on a right to access basis. Revenues of licences are based on a fixed amount per period or on a variable basis such as number of sensors or citation volumes.

Other operating income

Income 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 2022.

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.

Government Grants

The company recognises government grants in accordance with IAS 20. The company makes an assessment if COVID-19 relief qualifies as a grant under IAS 20.

Upon receipt of the grant, the grant is recorded as deferred income liability. A grant is recognised in the profit and loss only if the company has determined that it is probable that it will meet the conditions for forgiveness. The deferred income liability is derecognised on a systematic basis over the periods in which the group incurs the related expenses. The grant (COVID-19 relief) is accounted for in the profit and loss under Other operating costs.

If the company determines that it is not probable that it will meet the conditions for forgiveness or that it is uncertain if the grant will be forgiven, then the grant is recorded as a liability under short term borrowings.

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 Mönning in 2017 and a long term incentive plan in 2021 for 50 key executives and employees (LTIP 2021). 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 (<TSEK 50), 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 TSEK 50 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. Cash and cash equivalents solely consist 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 contacts are operated under the segment Managed Services, and focuses on large and smaller managed services 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 3-7 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 are measured at amortised cost and comprise of borrowings from credit institutions, liabilities to shareholders, trade payables and other short-term monetary liabilities 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.

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.

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

Inventories are 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 25.

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, 2021

There are no new IFRS standards that have been endorsed for application from 2021 and forward.

New IFRS standards that have not yet begun to be applied

New and amended IFRS standards that take effect in future financial years have not been early adopted and are not expected to have any significant effect on the consolidated financial statements.





| Employees Full-time equivalent | | | 2022 | 2021 |
|---------------------------------------|--|--|-------------|-------------|
| Holland | | | 93 | 88 |
| Sweden and branch offices | | | 31 | 32 |
| Australia | | | 58 | 46 |
| Germany | | | 4 | 4 |
| USA | | | 71 | 66 |
| Parent Company | | | 2 | 2 |
| Total | | | 258 | 238 |

| | Salaries and other remunerations | | Social securities | | Pension contributions | | Total | |
|----------------|---|----------------|--------------------------|---------------|------------------------------|---------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Parent Company | 5,674 | 6,211 | 779 | 721 | 413 | 390 | 6,866 | 7,322 |
| Subsidiaries | 180,749 | 153,218 | 20,337 | 19,096 | 13,103 | 11,610 | 214,189 | 183,924 |
| Group | 186,423 | 159,429 | 21,116 | 19,817 | 13,516 | 12,000 | 221,054 | 191,246 |

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

| Parent Company | Board Fee | |
|---|------------------|--------------|
| | 2022 | 2021 |
| Chairman of the Board, Claes Ödman | 500 | 500 |
| Board member, Kerstin Sjöstrand | 250 | 250 |
| Board member, Pia Hofstedt | 250 | 250 |
| Board member, Jochem Garritsen | 250 | 250 |
| Board member, Christina Hallin | 250 | 250 |
| Board member, Nishita Batra (until May 2022) | 104 | 250 |
| Board member, Francis Schmeer (from May 2022) | 146 | 0 |
| Total Remuneration Board of directors | 1,750 | 1,750 |

| Remuneration and other benefits for Group Management | Basic Salary | | Variable Remuneration | | Other benefits | | Pension Expenses | | Total | |
|---|---------------------|-------------|------------------------------|-------------|-----------------------|-------------|-------------------------|-------------|--------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Managing Director and CEO, Ivo Mönnink | 3,118 | 2,872 | 1,559 | 1,086 | 392 | 432 | 981 | 674 | 6,050 | 5,064 |
| Other senior management (3 individuals) | 5,493 | 4,935 | 1,476 | 1,663 | 1,276 | 1,202 | 640 | 632 | 8,886 | 8,432 |

VARIABLE REMUNERATION GROUP MANAGEMENT

Group management consists of the CEO and other Senior Management (CFO, CCO and CTO).

Variable remuneration

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. Based on the performance measurement of 2022 an amount of TSEK 1,559 (1,086) has been accrued and will be paid out in 2023. A remuneration of TSEK 1,086 has been paid out during 2022, relating to the performance of the financial year 2021.

The variable remuneration for other Senior Management is based on net sales and EBITDA, and is subject to an upper limit of 50% annual base salary. Based on the performance measurement of 2022 an amount of TSEK 1,476 (1,663) has been accrued and will be paid out in 2023. A remuneration of TSEK 1,663 (409) has been paid out during 2022, relating to the performance of the financial year 2021.

Share based payment

The company has two share based payment programs.

The program of 2017-2020 was granted to the CEO, free of charge. The share options are subject to three year vesting (October 2017 - September 2020) that entitle to acquire not more than 6,000,000 shares in the Company. The exercise price of the share options is SEK 0.81. 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 0.7 percent. In 2022 the two year exercise period ended for the share options granted under Plan 2017-2020. In 2022 the two year exercise period ended for the share options granted under Plan 2017-2020. The share option plan has been exercised by the CEO. Due to the high cost associated with the execution of this Share Option Plan the board and the CEO have agreed to transform the value into a short term incentive related to organizational development. The short term incentive can be awarded taking into consideration the maximum agreed short term incentive for the CEO of 50% of base salary. For the year 2022 the CEO was awarded 580TSEK for the development of the organisation.

In 2021 the general meeting of shareholders approved the implementation of a long-term incentive program in the form of a stock-option plan for up to 50 key executives and employees ("LTIP 2021"). LTIP 2021 is a program that spans over three award years and under which the participants will be granted, free of charge, share-options that entitle the acquisition of up to 44.0 million shares in the Company subject to three-year vesting periods. As part of the implementation a total of up to 55.0 million shares (including 11 million shares acquired through warrants for the hedging of social security costs) may be issued.

In 2021 37.7 million share-options were granted to employees with an exercise price of SEK 1.28. The company wishes to promote share ownership but also to minimize dilution and therefore intends to "net settle" exercised options, i.e. the participating employee receives the value of the option gains in shares.

The value of the share-options have been calculated based on the Black and Scholes Model using a volatility based on the average deviation in the share price in 2021 up to the grant date. The used volatility in the model amounted to 37.5 percent. The total cost recorded in the result of 2022 amounted to SEK 3.4 million of which SEK 2.7 million has been recorded in equity and 0.7 million as a social security liability on the balance sheet. The CEO has been awarded 5,500,000 share options and other Senior Management have been awarded 2,750,000 share options each.

VARIABLE REMUNERATION IN SUBSIDIARIES

Other group executives

The other group executives are employed or contracted in the subsidiaries.

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 50% annual salary.

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

Note 3 Total sales

| Net sales by region | | | 2022 | 2021 |
|-----------------------------------|---------------------------|------------------|----------------|----------------|
| Europe | | | 123,228 | 145,008 |
| America | | | 206,929 | 126,067 |
| Middle East and APAC | | | 164,418 | 235,714 |
| Total | | | 494,575 | 506,789 |
| Net sales by country | | | 2022 | 2021 |
| Sweden | | | 32,113 | 44,358 |
| Netherlands | | | 31,856 | 28,826 |
| Rest of Europe | | | 59,259 | 71,824 |
| Total Europe | | | 123,228 | 145,008 |
| USA | | | 171,656 | 125,478 |
| Rest of Americas | | | 35,273 | 589 |
| Total Americas | | | 206,929 | 126,067 |
| Saudi Arabia | | | 58,254 | 106,484 |
| Australia | | | 83,062 | 93,620 |
| Rest of Middle East and APAC | | | 23,102 | 35,610 |
| Total Middle East and APAC | | | 164,418 | 235,714 |
| Nature of sales | | | 2022 | 2021 |
| One-off | | | 182,960 | 259,196 |
| TRaaS Recurring | | | 311,615 | 247,593 |
| Total | | | 494,575 | 506,789 |
| Nature of services | Nature of sales | Segment | 2022 | 2021 |
| System sales | One-off | System sales | 182,960 | 259,196 |
| Service and maintenance | TRaaS Recurring | System sales | 122,879 | 113,044 |
| Licences | TRaaS Recurring | System sales | 4,116 | 5,206 |
| Managed services | TRaaS Recurring | Managed services | 184,620 | 129,343 |
| Total | | | 494,575 | 506,789 |
| Revenue recognition | Nature of services | | 2022 | 2021 |
| At a point in time | System sales | | 182,960 | 259,196 |
| Overtime | Service and maintenance | | 122,879 | 113,044 |
| | Licences | | 4,116 | 5,206 |
| | Managed services | | 184,620 | 129,343 |
| Total | | | 494,575 | 506,789 |

TRaaS (TRaaS enforcement as a Service) is recurring sales within segment System Sales and Managed Services. Management tracks on the performance of TRaaS related sales and reports on the development of TRaaS sales in the quarterly reports to the stock market.

Revenue is recognised based on the characteristics of a contract. System Sales is typically delivered at a point in time, when control passes to the customer.

Revenue recognition overtime relates to contracts where our customers simultaneously receives and consumes the services provided such as Service and Maintenance which is part of a Service Level Agreement, Licences and Managed Services.

| | Contract Assets | | Contract liabilities | |
|---|------------------------|---------------|-----------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| At 1 January | 36,928 | 29,288 | -8,975 | -12,605 |
| Transfers in the period from contract assets to trade receivables | | -29,288 | - | - |
| Amounts included in contract liabilities that was recognised as revenue during the period | -36,928 | - | 4,701 | 10,032 |
| Accrued income | 70,197 | 36,928 | - | - |
| Deferred income | - | - | -11,260 | -4,174 |
| Cash received in advance of performance and not recognised as revenue during the period | - | - | 0 | -2,228 |
| At 31 December | 70,197 | 36,928 | -15,534 | -8,975 |

Contract assets consist of accrued income and contract liabilities out of prepayments from customers and deferred income. Contract assets are written off where there is no reasonable expectation of recovery. No write offs have been taken in 2022 (0).

We expect that the majority of the contract liabilities will be recognized as revenue in less than one year after balance sheet date.

Note 4 Expenses by nature of expense

| | 2022 | 2021 |
|--------------------------------|----------------|----------------|
| Cost for products and systems | 136,695 | 189,144 |
| Depreciation and amortisation | 42,521 | 37,595 |
| Employee benefits and expenses | 221,054 | 191,246 |
| Other employee expenses | 13,713 | 9,700 |
| Housing expenses | 5,837 | 4,887 |
| Office expenses | 19,637 | 9,211 |
| Sales expenses | 10,674 | 7,798 |
| Car expenses | 2,868 | 1,865 |
| Development expenses | 6,940 | 2,620 |
| General expenses | 31,079 | 28,527 |
| Financial items | -8,955 | -1,549 |
| Total | 482,063 | 481,044 |
| COVID-19 relief | 0 | -4,316 |
| Capitalized Employee expenses | -18,311 | -15,847 |
| Total expenses | 463,752 | 460,881 |

The COVID-19 relief received in 2020 from the US government (Payment Protection Program) to the amount of 4.3 million was recorded on the balance sheet as a loan. In 2021, forgiveness on this loan is granted and a gain is accounted for in the profit & loss accounts. Sensys Gatso has the policy to capitalize development expenses when the development has expected future positive cash flows. Research costs are taken into the profit and loss directly when they occur, customization development expenses for customers are accounted for in the cost of systems sold, matched to sales. Employee expenses related to the development of our software platform amounted to SEK 18.3 million (15.8) which have been capitalised as Product and Software development on the balance sheet.

Note 5 Taxes

| Corporate income tax | 2022 | 2021 |
|--|----------------|----------------|
| Current tax | -7,226 | -8,141 |
| Deferred tax | -5,797 | -4,177 |
| Total | -13,023 | -12,318 |
| <i>Difference between tax expense and tax expense based on applicable tax rate</i> | | |
| Recognised profit/loss before tax | 33,078 | 47,309 |
| Tax at applicable rate | -8,270 | -11,827 |
| -in % | 25.00% | 25.00% |
| Permanent differences and tax previous years | 1,043 | 3,430 |
| Movement of deferred taxes | -5,797 | -3,921 |
| Revaluation of DTA due to changes in tax rates | 0 | 0 |
| Tax on profit/loss for the year in accordance with income statement | -13,023 | -12,318 |
| Effective tax in % | -39.37% | -26.04% |

Sensys Gatso Group is a global company with local companies established in various tax jurisdictions. The applicable tax rates vary between 19% and 30% depending on the jurisdiction. The company has tax losses in various jurisdictions which have (to some extent) been accounted for as a deferred tax assets. We refer to note 11 Deferred Taxes for further disclosure on taxes.

| Current tax | 2022 | 2021 |
|---------------------------------|---------------|---------------|
| Current tax assets | | |
| Corporate income tax receivable | 2,204 | 2,400 |
| | 2,204 | 2,400 |
| Current tax liabilities | | |
| Corporate tax payable | 6,851 | 7,871 |
| Wage and VAT Tax | 11,383 | 4,513 |
| | 18,234 | 12,384 |

Note 6 Depreciation/amortisation

Amortisation of intangible assets was SEK 10.8 (9.5) million and depreciation of property, plant and equipment totalled SEK 20.9 (18.0) million. The depreciation of the right of use assets amounted to SEK 10.5 (10.0) million. During 2022 no impairment was taken (0). Depreciation, amortisation and impairment are specified per function in the income statement as follows:

| | Cost of sales | | Selling costs | | Administrative costs | | Development costs | | Total | |
|--|---------------|---------------|---------------|--------------|----------------------|--------------|-------------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Customer contracts | 0 | 0 | 529 | 843 | 0 | 0 | 0 | 0 | 529 | 843 |
| Brand | 0 | 0 | 2,369 | 2,194 | 0 | 0 | 0 | 0 | 2,369 | 2,194 |
| Other intangible assets | 0 | 0 | 0 | 0 | 0 | 0 | 7,888 | 6,469 | 7,888 | 6,469 |
| Improvement expenses leasehold | 176 | 63 | 77 | 28 | 40 | 20 | 57 | 12 | 350 | 123 |
| Furniture, Fixtures, Fittings and vehicles | 1,661 | 2,375 | 665 | 1,069 | 267 | 348 | 392 | 357 | 2,984 | 4,149 |
| Fixed Assets in operation | 17,880 | 13,833 | 0 | 0 | 0 | 0 | 0 | 0 | 17,880 | 13,833 |
| Right of use assets | 5,470 | 5,036 | 2,409 | 2,347 | 1,327 | 1,433 | 1,316 | 1,168 | 10,522 | 9,984 |
| Total Depreciation and Amortisation | 25,187 | 21,307 | 6,048 | 6,481 | 1,634 | 1,801 | 9,653 | 8,006 | 42,521 | 37,595 |

Note 7 Leasing

The group leases premises, vehicles and copiers. The latter two are defined as "others". Lease agreements included in the lease liability have a remaining term greater than 12 months.

| Right of use assets | Premises | | Others | | Total | |
|-----------------------------|---------------|---------------|--------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Opening value | 17,205 | 22,015 | 4,438 | 5,130 | 21,643 | 27,145 |
| Additions | 8,645 | 1,816 | 538 | 1,232 | 9,183 | 3,048 |
| Depreciation | -8,290 | -7,795 | -2,233 | -2,189 | -10,522 | -9,984 |
| Modification of lease terms | -21 | 231 | -63 | -47 | -84 | 184 |
| Translation effects | 734 | 938 | 152 | 312 | 886 | 1,250 |
| Closing value | 18,274 | 17,205 | 2,832 | 4,438 | 21,106 | 21,643 |

| Lease liability | Premises | | Others | | Total | |
|-----------------------------|---------------|---------------|--------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Opening value | 18,358 | 22,925 | 4,585 | 5,452 | 22,943 | 28,377 |
| Additions | 8,645 | 1,820 | 538 | 1,227 | 9,183 | 3,047 |
| Interest expense | 761 | 875 | 165 | 184 | 926 | 1,059 |
| Modification of lease terms | 0 | -43 | 0 | 137 | 0 | 94 |
| Lease payments | -8,837 | -8,466 | -2,298 | -2,566 | -11,135 | -11,032 |
| Translation effects | 658 | 1,246 | 18 | 151 | 676 | 1,397 |
| Closing value | 19,585 | 18,358 | 3,008 | 4,585 | 22,593 | 22,943 |

Of the closing lease liability of 22,593 TSEK, 12,096 TSEK is presented as a non current liability and 10,497 TSEK is presented as current liabilities.

Note 8 Profit/loss from financial activities

| Interest and similar profit/loss items | 2022 | 2021 |
|---|--------------|--------------|
| Interest income on bank deposits | 0 | 0 |
| Exchange rate gains on bank deposits or other loans | 6,453 | 6,410 |
| Other financial income | 46 | 15 |
| Total financial income | 6,499 | 6,425 |

| Interest expense on financial liabilities | 2022 | 2021 |
|--|--------------|--------------|
| Interest expense on loans | 3,063 | 3,548 |
| Exchange rate losses on bank deposits or other loans | | 272 |
| Other financial expenses | 255 | 145 |
| Interest lease liability | 926 | 1,059 |
| Total financial costs | 4,244 | 5,025 |

| Profit/Loss from financial investments | 2022 | 2021 |
|--|--------------|--------------|
| | 2,255 | 1,400 |

Note 9 Consolidated Intangible fixed assets

| Consolidated Intangible fixed assets | Goodwill | | Customer contracts/ Customer relations | | Brand | | Product & software development | | Total | |
|---------------------------------------|----------------|----------------|---|--------------|---------------|---------------|--------------------------------|---------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Balance as of January 1 | | | | | | | | | | |
| Cost | 251,127 | 242,145 | 97,864 | 97,817 | 22,550 | 22,202 | 111,160 | 92,897 | 482,701 | 455,061 |
| Accumulated impairment / amortization | 0 | 0 | -97,363 | -96,520 | -14,539 | -12,345 | -63,137 | -56,668 | -175,039 | -165,533 |
| Book value | 251,127 | 242,145 | 501 | 1,297 | 8,011 | 9,857 | 48,023 | 36,229 | 307,662 | 289,528 |
| Changes: | | | | | | | | | | |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 21,600 | 17,863 | 21,600 | 17,863 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization | 0 | 0 | -529 | -843 | -2,369 | -2,194 | -7,888 | -6,469 | -10,785 | -9,506 |
| Translation effects | 25,608 | 8,982 | 28 | 47 | 711 | 348 | 1,349 | 400 | 27,696 | 9,777 |
| Total changes | 25,608 | 8,982 | -501 | -796 | -1,657 | -1,846 | -6,539 | 11,794 | 16,911 | 271 |
| Balance as of December 31 | | | | | | | | | | |
| Cost | 276,735 | 251,127 | 97,892 | 97,864 | 23,261 | 22,550 | 134,109 | 111,160 | 531,997 | 482,701 |
| Accumulated impairment / amortization | 0 | 0 | -97,892 | -97,363 | -16,908 | -14,539 | -71,025 | -63,137 | -185,824 | -175,039 |
| Book value | 276,735 | 251,127 | 0 | 501 | 6,354 | 8,011 | 63,084 | 48,023 | 346,173 | 307,662 |

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. Sensys Gatso has tested the goodwill for impairment in the fourth quarter of 2022. When assessing our business it is important to note that we have long sales cycles and long standing relationships with our customers.

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 2022 at the time of testing in December 2022 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 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 9.2% (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.

The company analyses past forecasts to actual outcomes. Timing of revenue is typically the main factor of deviation. The timing of revenue can have an impact from quarter to quarter and from year to year. However, over the forecasted period of five years this has a lower impact on the forecasted numbers. The company forecasts revenues based on opportunities and order backlog with a high level of confidence, based on a bottom-up analysis from the individual entities. This applies to both System Sales and Managed Services. For 2022 the company has made this analysis and has concluded that there has been no impact on the five year businessplan that forms the basis of the impairment test.

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 23 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 are both 10.5.

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 | 2022 | 2021 |
|------------------|----------------|----------------|
| System Sales | 182,232 | 167,537 |
| Managed Services | 94,502 | 83,590 |
| Total | 276,735 | 251,127 |

The movement in goodwill valuation in both segments relates to currency effects. No impairments were taken in 2022 (0).

PRODUCT & SOFTWARE DEVELOPMENT

In 2019 Sensys Gatso has started to develop the new enforcement platform called FLUX. This enforcement platform (over time) will replace the existing platforms (S and T-Series). Investments in development are pre-approved by the board of directors in the annual budget process and accountability is given on an annual basis. As the FLUX platform is in development, amortisation has not commenced. The remaining bookvalue of Product & Software development is as follows:

| Development item | Bookvalue MSEK | |
|----------------------|----------------|-------------|
| | 2022 | 2021 |
| Flux platform | 40.9 | 26.0 |
| Software Xilium/Puls | 8.3 | 6.0 |
| T-Series platform | 2.0 | 8.8 |
| Other | 11.9 | 7.2 |
| Total | 63.1 | 48.0 |

Note 10 Property, plant and equipment

| Tangible fixed assets | Leasehold improvement | | Furnitures, fixtures, etc | | Fixed Assets in operation | | Total | |
|----------------------------------|-----------------------|--------------|---------------------------|--------------|---------------------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Balance as of January 1 | | | | | | | | |
| Cost | 20,132 | 20,003 | 39,720 | 35,434 | 204,932 | 179,963 | 264,784 | 235,400 |
| Accumulated depreciation | -17,766 | -17,460 | -30,537 | -26,571 | -145,912 | -132,079 | -194,215 | -176,110 |
| Book value | 2,366 | 2,543 | 9,183 | 8,863 | 59,020 | 47,884 | 70,569 | 59,290 |
| Changes: | | | | | | | | |
| Additions | 67 | 46 | 4,570 | 3,426 | 18,770 | 20,621 | 23,407 | 24,093 |
| Disposals | 0 | 0 | 0 | 355 | 0 | -1,055 | 0 | -700 |
| Depreciation | -350 | -306 | -2,984 | -3,966 | -17,880 | -13,833 | -21,214 | -18,105 |
| Translation effects | 174 | 83 | -186 | 505 | 10,720 | 5,403 | 10,708 | 5,991 |
| Total changes | -109 | -177 | 1,400 | 320 | 11,610 | 11,136 | 12,901 | 11,279 |
| Balance as of December 31 | | | | | | | | |
| Cost | 20,373 | 20,132 | 44,104 | 39,720 | 234,422 | 204,932 | 298,899 | 264,784 |
| Accumulated depreciation | -18,116 | -17,766 | -33,521 | -30,537 | -163,792 | -145,912 | -215,429 | -194,215 |
| Book value | 2,257 | 2,366 | 10,583 | 9,183 | 70,630 | 59,020 | 83,470 | 70,569 |

Note 11 Deferred taxes

| Deferred tax recoverable | 2022 | 2021 |
|------------------------------------|---------------|---------------|
| Opening deferred tax recoverable | 36,238 | 39,982 |
| Utilization of deferred tax | -7,744 | -5,654 |
| Additions | 7,741 | 256 |
| Translation effects | 3,681 | 1,655 |
| Closing deferred tax assets | 39,916 | 36,238 |

| The deferred tax assets can be specified as follows: | 2022 | 2021 |
|--|---------------|---------------|
| Other | 0 | 774 |
| Inventory | 2,590 | 2,590 |
| Loss carried forward | 37,326 | 32,873 |
| Total deferred tax assets | 39,916 | 36,238 |

| Deferred tax liabilities | 2022 | 2021 |
|---|--------------|--------------|
| Opening deferred tax liability | 3,379 | 4,703 |
| Release relating to depreciation on intangible fixed assets | -1,469 | -1,477 |
| Temporary difference accelerated depreciation fixed assets | 7,263 | 0 |
| Translation effects | 278 | 153 |
| Closing deferred tax liabilities | 9,451 | 3,379 |

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 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.

As per December 2022, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of TSEK 150.5 (143.1). Approximately SEK 78.2 (78.2) million has been accounted for in the deferred tax asset to the amount of SEK 16.4 (16.4) million.

The deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at a tax rate of 20.6 percent. 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. Management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

In Sensys Gatso Sweden AB there is a deferred tax asset recorded in relation to inventory that has not been taken as a tax loss. The total amount of utilizable deferred tax amounts to SEK 12.0 million (12.0).

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 25.2 million (47.2), corresponding to USD 2.4 million (5.2). 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 5.3 (10.2) million.

In Sensys Gatso Australia Pty Ltd a deferred tax asset of SEK 15.6 million (7.3) is recognised relating to temporary differences and losses carried forward to the amount of SEK 52.0 million (24.3). For determining the taxable income the company made use of the tax beneficial accelerated depreciation possibilities. This has led to the recognition of a tax liability of SEK 7.3 million. Based on Management's assessment we see future profits to offset the losses carried forward.

Note 12 Inventories

Inventories relates to finished products and goods for resale. The movement in inventory is the balance of incoming and outgoing inventory for the year. The provision for obsolete inventory is based on estimates regarding the use of stock in future.

| | 2022 | 2021 |
|---|----------------|----------------|
| Opening acquisition value | 115,031 | 150,590 |
| Net changes in inventory | -13,303 | -38,164 |
| Translation effects | 8,433 | 2,605 |
| Closing acquisition value | 110,161 | 115,031 |
| Change in provision for obsolete inventory | 2022 | 2021 |
| Opening provision | -18,244 | -21,838 |
| Movement | -6,377 | 4,844 |
| Translation effects | -362 | -1,250 |
| Closing provision | -24,983 | -18,244 |
| Carrying amount | 85,177 | 96,787 |

Note 13 Trade receivables

| | Trade receivables 2022 | Impaired 2022 | Total 2022 | Trade receivables 2021 | Impaired 2021 | Total 2021 |
|------------------------------|---------------------------|------------------|---------------|---------------------------|------------------|----------------|
| Trade receivables | | | | | | |
| Current | 44,846 | 0 | 44,846 | 103,239 | 0 | 103,239 |
| 1-30 days | 7,572 | 0 | 7,572 | 8,126 | 0 | 8,126 |
| 31-180 days | 8,714 | -20 | 8,694 | 29,239 | -1,166 | 28,072 |
| > 180 days | 18,337 | -12,000 | 6,337 | 9,871 | -8,027 | 1,844 |
| Trade receivable- net | 79,469 | -12,020 | 67,449 | 150,475 | -9,194 | 141,281 |

| | 2022 | 2021 |
|---|---------------|--------------|
| Change in provision for doubtful trade receivables | 2022 | 2021 |
| Balance as of January 1 | 9,194 | 7,428 |
| Additions charged to expense | 1,503 | 1,501 |
| Deduction from allowance 1) | 0 | -192 |
| Translation differences | 1,323 | 457 |
| Balance as of December 31 | 12,020 | 9,194 |

1) Write-offs for which an allowance was previously provided.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. Payment terms vary from 30 to 180 days average. 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. 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. Receivables are derecognised and recorded as confirmed loss after all efforts that have been taken to collect on the receivable have not resulted in payments.

Note 14 Prepaid expenses and accrued income

| | 2022 | 2021 |
|--|---------------|---------------|
| Prepaid expenses and accrued income | | |
| Deposits (property and other) | 2,664 | 1,698 |
| Accrued income | 70,197 | 36,928 |
| Other items | 7,287 | 8,519 |
| Total | 80,148 | 47,145 |

Note 15 Bank overdraft facilities and other borrowing

| The Group's interest-bearing borrowings | 2022 | 2021 |
|--|---------------|---------------|
| Due dates for long-term loans: | | |
| Within one year | 8,843 | 49,637 |
| Between one and five years | 44,239 | 43,746 |
| Total | 53,082 | 93,383 |
| Short-term borrowings (shareholder), EUR | 0 | 8,527 |
| Short-term borrowings (banks), EUR | 8,843 | 41,110 |
| Total | 8,843 | 49,637 |
| Long-term borrowings (banks), EUR | 21,982 | 23,292 |
| Long-term borrowings (shareholder), EUR | 22,257 | 20,454 |
| Total | 44,239 | 43,746 |

The average interest on the Vendor loan has been TSEK 0 (44.0).

To facilitate further growth, Sensys Gatso and Rabobank have agreed, in 2020, to extend the current total facilities granted by the Rabobank with additional EUR 5 million. The facility increase will be provided to Sensys Gatso upon request, and is conditional upon meeting agreed covenants, with steps of EUR 1.25 million each 6 months. During 2020 the first EUR 1.25 million additional funding has become available. In 2021 an additional EUR 2.5 million funding is provided. The loan has a redemption period of 5 years. The short term part of the loan has been presented as a short term obligation under short-term borrowings on the balance sheet.

Note 16 Financial instruments

| Financial assets at amortised costs | 2022 | 2021 |
|--|----------------|----------------|
| <i>Assets as per balance sheet</i> | | |
| Trade receivables | 67,449 | 141,282 |
| Accrued income | 70,197 | 36,928 |
| Cash and bank balances | 99,718 | 72,463 |
| Total | 237,364 | 250,673 |

| Other financial liabilities at amortised costs | 2022 | 2021 |
|---|---------------|----------------|
| <i>Liabilities as per balance sheet:</i> | | |
| Borrowings (long and short) | 30,825 | 64,402 |
| Liabilities to shareholders | 22,257 | 28,981 |
| Lease liability | 22,593 | 22,943 |
| Trade payables | 20,392 | 37,118 |
| Total | 96,067 | 153,444 |

There are no financial assets valued at fair value which have been adjusted through the profit and loss account.

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

Note 17 Financial activities

| | | 2021 | Cashflow | IFRS 16 leasing | Non-cash movements: Foreign exchange and present value change | 2022 |
|-------------------------------------|-----------------------------|----------------|-----------------|------------------------|--|----------------|
| Long term borrowing | Borrowing | 23,292 | -2,886 | | 1,576 | 21,982 |
| | Liabilities to shareholders | 20,454 | | | 1,803 | 22,257 |
| | Lease liabilities | 14,247 | -2,439 | | 288 | 12,096 |
| Short-term borrowing | Borrowing | 41,110 | -32,267 | | | 8,843 |
| | Liabilities to shareholders | 8,527 | -8,888 | | 361 | 0 |
| | Lease liabilities | 8,696 | -8,696 | 10,109 | 388 | 10,497 |
| Share and other contributed capital | 546,816 | | | | | 546,816 |
| Total | | 663,142 | -55,176 | 10,109 | 4,416 | 622,491 |

Note 18 Transactions with shareholders

Related parties to Sensys Gatso Group are mainly its key management and shareholders that also have a function within the company.

Shareholders

The related party transactions with shareholders have two dimensions being the transaction with the shareholder for loans and rental costs on one side and on the other side transactions for management functions (directors). The disclosed transactions with shareholders relate to shareholder Gatso Special Products BV and its shareholders that perform managerial functions (directors) within our company.

Key management personnel

The total compensation of key management personnel is disclosed in Note 2.

| Liabilities to shareholders | 2022 | 2021 |
|--|---------------|---------------|
| Non-current subordinated loan | 22,257 | 20,454 |
| Non-current liabilities vendor loan | 0 | 0 |
| Current liabilities vendor loan | 0 | 8,527 |
| Closing liabilities to shareholders | 22,257 | 28,981 |
| Non-current liabilities to shareholders | 2022 | 2021 |
| Opening liabilities | 20,454 | 28,246 |
| To current liabilities to shareholders | 0 | -8,527 |
| Currency/net present value adjustments | 1,803 | 735 |
| Non-current liabilities | 22,257 | 20,454 |
| Current liabilities to shareholders | 2022 | 2021 |
| Opening liabilities | 8,527 | 10,038 |
| Current part of promissory note | 0 | 8,527 |
| Repayment | -8,527 | -10,038 |
| Off-set vendor loan in New share issue | 0 | 0 |
| Current liabilities | 0 | 8,527 |

Vendor loan

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. In 2020 EUR 1 million was converted into shares. In 2021 Sensys Gatso has repaid the vendor loan installment due, to the amount of EUR 1 million. In 2022 the remaining part of the vendor loan to TSEK 8,527 has been paid.

| Related party transactions | Shareholders | Directors |
|-----------------------------------|---------------------|------------------|
| Rental costs premises | 1,957 | - |
| Interest costs loans | 1,335 | - |
| Management fee | - | 2,006 |
| Repayment vendor loan | 8,527 | - |
| Related party positions | Shareholders | Directors |
| Loans | 22,257 | - |
| Interest on loans | 1,335 | - |

Note 19 Provisions

| Other provisions | 2022 | 2021 |
|--------------------------------|---------------|---------------|
| Provision for product warranty | 3,294 | 3,271 |
| Other provisions | 555 | 778 |
| Non current provision | 3,850 | 4,049 |
| Provision for product warranty | 5,357 | 6,774 |
| Other provisions | 1,758 | 1,616 |
| Current provision | 7,116 | 8,390 |
| Total other provisions | 10,965 | 12,439 |

| Provision for product warranty | 2022 | 2021 |
|---|---------------|---------------|
| Opening product warranty 0-360 days | 6,774 | 5,292 |
| Opening product warranty provision > 360 days | 3,271 | 3,901 |
| Opening product warranty provision | 10,045 | 9,193 |
| Buildup and release of product warranty provision during the year | 1,095 | 3,457 |
| Used product product warranty during the year | -3,910 | -2,684 |
| Movements during the year | -2,815 | 773 |
| Translation effects | 2,816 | 81 |
| Closing product warranty provision 0-360 days | 5,357 | 6,774 |
| Closing product warranty provision > 360 days | 3,294 | 3,271 |
| Closing product warranty provision | 8,652 | 10,046 |

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 865 (1,005) in 2022.

Note 20 Accrued expenses and deferred income

| Accrued expenses and accrued income | 2022 | 2021 |
|-------------------------------------|---------------|---------------|
| Accrued salaries | 17,207 | 14,663 |
| Holiday pay liability | 14,693 | 15,628 |
| Social charges | 4,247 | 3,307 |
| Deferred income | 15,534 | 7,047 |
| Other | 15,784 | 13,400 |
| Total | 67,465 | 54,045 |

Note 21 Audit fees and reimbursement of related costs

| | 2022 | 2021 |
|-------------------|--------------|--------------|
| <i>BDO</i> | | |
| Audit assignment | 3,274 | 2,219 |
| Tax consulting | 773 | 458 |
| Other assignments | 0 | 536 |
| Total | 4,047 | 3,213 |

Note 22 Pledged assets and contingent liabilities

| Pledged assets | 2022 | 2021 |
|---|----------------|----------------|
| Guarantees, customer authorities | 20,152 | 20,885 |
| <i>Pledged assets</i> | | |
| Tangible fixed assets | 83,470 | 70,571 |
| Inventory | 85,177 | 96,787 |
| Receivables | 67,449 | 141,282 |
| Total pledged contingent liabilities | 256,248 | 392,525 |

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 348 (172) million.

Credit and loan facility

The company has access to a credit facility to the amount of EUR 8.18 million that can also be used for customer guarantees. Additionally the company has access to a loan credit facility to the amount of EUR 5.0 million of which EUR 3.75 million has been taken up at the end of 2022.

Pledges and securities

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 International 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.

Note 23 Other

Climate

As described in our Sustainability report Sensys Gatso aims to reduce its impact on the environment by reducing the use of electricity and gas. For several years we have tracked our consumption which has resulted in a more awareness throughout the company. As a result of COVID-19 we introduced remote working reducing both daily commute to our offices as well as international travel. The company was able to operate with limited impact in doing so. Going forward the company's policy will remain in a hybrid model, combining working from the office and from home, where possible.

Note 24 Events after the balance sheet date

Significant events after the end of the reporting period;

- » 26 Jan - Sensys Gatso receives five year TRaaS contract for traffic safety in Fort Dodge IA, valued at approximately SEK 12 million
- » 27 Jan - Sensys Gatso Netherlands receives a 3-year TRaaS Service and Maintenance contract in Latvia, worth SEK 10 million
- » 20 Mar - Sensys Gatso receives a five-year TRaaS contract extension valued at SEK 10 million for red light photo enforcement in Homewood, IL
- » 21 Mar - Sensys Gatso receives a seven-year TRaaS contract valued at SEK 13 million for school zone speed enforcement in Parma Heights, Ohio
- » 22 Mar - Sensys Gatso receives an order from Ecuador for delivery of Enforcement systems, worth SEK 7.4 million
- » 20 Mar - Sensys Gatso receives a five-year TRaaS contract extension valued at SEK 10 million for red light photo enforcement in Homewood, IL
- » 5 April - Sensys Gatso receives an order from Thailand for delivery of traffic enforcement systems, worth SEK 5.6 million

Sensys Gatso is deeply concerned and saddened by the war in Ukraine and the devastating impact on the people of the country. On a macro economic level the war, as the COVID-19 pandemic, has an impact on inflation. The prices of oil and gas have been impacted significantly, which has led to increased cost in transport and cost for manufacturing in general. Sensys Gatso is not significantly impacted by increases in gas prices and has price agreements in place with suppliers. Increased oil prices have an impact on transport cost, which could have an impact on the margins of sales mainly outside of Europe. At this point in time it is not possible to make a further assessment on the impact and to which extent this could possibly affect the business.

Note 25 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 the 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.

| Transaction exposure 2022 | SEK | EUR | USD | Other | Total |
|--|----------|---------------|---------------|------------|---------------|
| <i>Assets as per balance sheet:</i> | | | | | |
| Trade receivables | 0 | 0 | 37,252 | 0 | 37,252 |
| Cash and bank balances | 0 | 17,406 | 17,354 | 530 | 35,290 |
| Total | 0 | 17,406 | 54,606 | 530 | 72,542 |
| <i>Liabilities as per balance sheet:</i> | | | | | |
| Borrowings | 0 | 0 | 0 | 0 | 0 |
| Liabilities to shareholders | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 |

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 2022, expressed in thousands of Swedish krona (TSEK) consisted of the following:

| Translation exposure 2022 | SEK | EUR | USD | AUD | Total |
|--|---------------|---------------|---------------|---------------|----------------|
| <i>Assets as per balance sheet:</i> | | | | | |
| Trade receivables | 21,399 | 20,022 | 18,375 | 7,652 | 67,449 |
| Accrued income | 128 | 35,250 | 12,213 | 22,606 | 70,197 |
| Cash and bank balances | 57,562 | 7,100 | 27,491 | 7,565 | 99,718 |
| Total | 79,089 | 62,372 | 58,079 | 37,823 | 237,364 |
| <i>Liabilities as per balance sheet:</i> | | | | | |
| Borrowings | - | 30,825 | - | - | 30,825 |
| Liabilities to shareholders | - | 22,257 | - | - | 22,257 |
| Trade payables | 7,192 | 9,322 | 5,010 | -1,132 | 20,392 |
| Other liabilities | 3,329 | 3,308 | 8,310 | 838 | 15,784 |
| Total | 10,521 | 65,712 | 13,320 | -294 | 89,258 |

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

The company enters into forward contracts to mitigate the currency risk on future expected cash receipt of customer contracts. These contracts are accounted for as a cash flow hedge in the financial numbers. The company also recognizes a risk on timing of payment and uses currency swap contracts to temporarily prolong the effect of a forward contract if needed. These currency SWAPs will be bought/sold on the settlement date of the forward contract(s). The Company does not have any outstanding SWAPs to mitigate timing related risks on forward contracts.

The company also, from time to time, enters into currency swap contracts to mitigate currency risks on (short-term) intercompany loans in SEK, which are swapped to a foreign currency. These swap contracts are not accounted for as a cash flow hedge, therefore the fair value of these contracts are accounted for in the profit and loss. At the end of the financial year the company has the following outstanding swap contracts related to intercompany financing; buy 1.4MUSD and buy 25.6MSEK.

INTEREST RISKS

The company 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 53.0 (93.4) in interest-bearing liabilities and cash and cash equivalents amounted to MSEK 99.7 (72.5). 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. In 2022, the Group's borrowings largely consisted of credit facilities provided by banks with three months fixed interest rates (EURIBOR). The group's liabilities to shareholders are burdened with three months (EURIBOR) and fixed annual rates on loans. The interest rates and conditions are consistent with 2022. 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 fulfill 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.

In 2022 the final installment of the vendor loan of EUR 840 thousand was paid (EUR 1 million). At the end of 2022 the company has used MSEK 8.8 (41.1) of its credit facilities. The remainder of the long-term loan provided by the Rabobank amounts to MSEK 22.0 (23.3). The table below presents an analysis of the Group's financial liabilities to be settled, 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 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|-------------------------|------------------|-----------------------|-----------------------|-------------------|
| Bank loans | 8,843 | 8,441 | 13,541 | 0 |
| Trade payables | 20,392 | 0 | 0 | 0 |
| Loan to related parties | 0 | 0 | 22,257 | 0 |
| Lease liability | 10,497 | 5,671 | 6,425 | 0 |
| Total | 39,732 | 14,111 | 42,224 | 0 |

| As of 31 December 2021 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|-------------------------|------------------|-----------------------|-----------------------|-------------------|
| Bank loans | 41,110 | 7,757 | 15,535 | 0 |
| Trade payables | 37,118 | 0 | 0 | 0 |
| Loan to related parties | 8,527 | 0 | 20,454 | 0 |
| Lease liability | 8,696 | 6,382 | 7,865 | 0 |
| Total | 95,451 | 14,139 | 43,854 | 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 (9.2) 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 2022 was 75,6% (70,4%).

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.



POLICE

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MOBILE SPEED CAMERA

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TOWARDS ZERO

Parent Company

Income Statement

| TSEK | Note | 2022 | 2021 |
|---|-------------|----------------|---------------|
| Net sales | 26, 27 | 24,647 | 21,966 |
| Cost of systems sold | | 0 | 0 |
| Gross profit | | 24,647 | 21,966 |
| Administrative costs | 28, 37 | -35,443 | -30,853 |
| Other operating costs | | | |
| Operating profit/loss | 36 | -10,796 | -8,887 |
| Profit/loss from financial investments | 29 | | |
| Interest income/foreign exchange gains | | 4,154 | 5,355 |
| Interest expense/foreign exchange losses | | -1,987 | -1,274 |
| Profit/loss after financial items | | -8,629 | -4,806 |
| Appropriations | 39 | 1,239 | 11,212 |
| Profit/loss before tax | | -7,390 | 6,406 |
| Income tax for the year | 30 | 0 | -1,329 |
| PROFIT OR LOSS FOR THE YEAR | | -7,390 | 5,077 |
| Parent company statement of comprehensive income | | | |
| Profit for the year | | -7,390 | 5,077 |
| Other comprehensive income | | 0 | 0 |
| Total comprehensive income for the year | | -7,390 | 5,077 |

Parent Company

Balance Sheet

| TSEK | Note | 31 Dec 2022 | 31 Dec 2021 |
|-------------------------------------|-----------|----------------|----------------|
| ASSETS | | | |
| INTANGIBLE FIXED ASSETS | | | |
| Product and software development | | 45,535 | 30,665 |
| | 31 | 45,535 | 30,665 |
| FINANCIAL FIXED ASSETS | | | |
| Deferred tax assets | 30 | 16,384 | 16,384 |
| Investments in Subsidiaries | 33 | 419,886 | 415,688 |
| Loan Subsidiaries | 32 | 45,000 | 45,000 |
| | | 481,270 | 477,072 |
| TOTAL NON CURRENT ASSETS | | 526,805 | 507,737 |
| OTHER CURRENT ASSETS | | | |
| Loan subsidiaries | 32 | - | 29,333 |
| Receivables from subsidiaries | | 10,206 | 16,078 |
| Current tax assets | | - | - |
| Other receivables | | 360 | 813 |
| Prepaid expenses and accrued income | | 2,363 | 2,333 |
| | | 12,929 | 48,557 |
| CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 30,380 | 24,819 |
| | | 30,380 | 24,819 |
| TOTAL CURRENT ASSETS | | 43,309 | 73,376 |
| TOTAL ASSETS | | 570,114 | 581,113 |

Parent Company

Balance Sheet

| TSEK | Note | 31 Dec 2022 | 31 Dec 2021 |
|---|------|----------------|----------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| EQUITY | 33 | | |
| <i>Restricted equity</i> | | | |
| Share capital | | 46,089 | 46,089 |
| Statutory reserve | | 25,215 | 25,215 |
| Legal reserve | | 45,535 | 30,665 |
| | | 116,839 | 101,969 |
| <i>Non-restricted equity</i> | | | |
| Share premium reserve | | 475,512 | 475,512 |
| Retained earnings including net profit for the year | | -33,148 | -15,869 |
| | | 442,364 | 459,643 |
| TOTAL SHAREHOLDERS' EQUITY | | 559,203 | 561,612 |
| CURRENT LIABILITIES | | | |
| Liabilities to shareholders | 35 | 0 | 8,527 |
| Trade payables | | 3,247 | 3,601 |
| Liabilities to subsidiaries | | 2,692 | 1,759 |
| Other liabilities | | 593 | 260 |
| Accrued expenses and deferred income | 36 | 4,378 | 5,354 |
| | | 10,912 | 19,501 |
| TOTAL LIABILITIES | | 10,912 | 19,501 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 570,115 | 581,113 |

Parent Company

Cash Flow

| TSEK | 2022 | 2021 |
|--|----------------|----------------|
| Operating profit/loss | -10,796 | -8,887 |
| Adjustments for non-cash items | | |
| Other non cash items | 4,981 | -2,061 |
| Adjustments for non-cash items | 4,981 | -2,061 |
| Interest received | 3,825 | 4,385 |
| Exchange rate effects | - | 907 |
| Cash flow from operating activities before changes in working capital | -1,990 | -5,656 |
| Cash flow from changes in working capital | | |
| Trade payables | -354 | 2,170 |
| Other changes in working capital | -9,243 | -272 |
| Cash flow from operating activities | -11,587 | -3,758 |
| Investing activities | | |
| Investments in subsidiaries | - | -25,000 |
| Repayment loan subsidiaries | 29,333 | - |
| Investments in intangible assets | -14,870 | -10,732 |
| Received parent company contribution | 11,212 | 11,785 |
| Cash flow from investing activities | 25,675 | -23,947 |
| Financing activities | | |
| Repayments liabilities to shareholders | -8,527 | -10,231 |
| Cash flow from financing activities | -8,527 | -10,231 |
| Cash flow for the year | 5,561 | -37,936 |
| Cash and cash equivalents at beginning of the year | 24,819 | 62,755 |
| Cash and cash equivalents at end of the year | 30,380 | 24,819 |

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 2021 | 46,089 | 25,215 | 475,512 | 19,933 | -11,997 | 554,752 |
| Net profit of the year | | | | | 5,077 | 5,077 |
| Addition to legal reserve | | | | 10,732 | -10,732 | 0 |
| Stock related remunerations | | | | | 1,783 | 1,783 |
| Shareholders' equity 1 Jan 2022 | 46,089 | 25,215 | 475,512 | 30,665 | -15,869 | 561,612 |
| Net profit of the year | | | | | -7,390 | -7,390 |
| Addition to legal reserve | | | | 14,870 | -14,870 | 0 |
| Stock related remunerations | | | | | 4,981 | 4,981 |
| Shareholders' equity 31 Dec 2022 | 46,089 | 25,215 | 475,512 | 45,535 | -33,148 | 559,203 |

Parent Company

Notes on the accounts

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

Note 26 Total sales

| Net sales by region | 2022 | 2021 |
|----------------------------|---------------|---------------|
| Europe | 24,647 | 21,966 |
| America | - | - |
| Middle East and APAC | - | - |
| Total | 24,647 | 21,966 |

Note 27 Purchase and sales between group companies

Of the parent company's total income from operations, MSEK 24.6 (22.0) refers to remunerations of services performed.

Note 28 Expenses by nature

| | 2022 | 2021 |
|--|---------------|---------------|
| Employee benefits and expenses (including board fee and recharges) | 11,440 | 12,454 |
| Office expenses | 10,258 | 2,332 |
| Sales expenses | 2,383 | 2,319 |
| Development expenses | 1,920 | 304 |
| General expenses | 9,607 | 13,190 |
| Financial items | -165 | 255 |
| Total | 35,443 | 30,853 |

Note 29 Profit/loss from financial activities

| Interest and similar profit/loss items | 2022 | 2021 |
|--|--------------|--------------|
| Interest income on bank deposits | 1 | 0 |
| Exchange rate gains on bank deposits or other loans | 328 | 970 |
| Interest income Group companies | 3,825 | 4,385 |
| Total financial income | 4,154 | 5,355 |
| Interest expense on financial liabilities | 2022 | 2021 |
| Interest expense on loans | 0 | 0 |
| Exchange rate losses on bank deposits or other loans | 1,977 | 1,239 |
| Other financial expenses | 10 | 35 |
| Total financial costs | 1,987 | 1,274 |
| Profit/Loss from financial investments | 2,167 | 4,081 |

Note 30 Tax on result for the year

| Corporate income tax | 2022 | 2021 |
|--|---------------|---------------|
| Current tax | - | - |
| Deferred tax | - | -1,329 |
| Total | - | -1,329 |
| <i>Difference between tax expense and tax expense based on applicable tax rate</i> | | |
| Recognised profit/loss before tax | -7,390 | 6,406 |
| Tax at applicable rate (20.6%) | - | -1,329 |
| Tax on profit/loss for the year in accordance with income statement | - | -1,329 |
| | | |
| Deferred tax assets | 2022 | 2021 |
| Opening deferred tax assets | 16,384 | 17,714 |
| Revaluation of DTA due to changes in tax rates | - | - |
| Addition tax losses | - | - |
| Utilisation of losses | - | -1,330 |
| | 16,384 | 16,384 |

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 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.

As per December 2022, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of SEK 150.5 (143.1) million. Approximately SEK 78.2 (78.2) million has been accounted for in the deferred tax asset to the amount of SEK 16.4 (16.4) million. The deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at a tax rate of 20.6 percent. 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. Management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

Note 31 Intangible Fixed Assets

| Intangible Fixed Assets | Product & software development | |
|--------------------------------------|--------------------------------|---------------|
| | 2022 | 2021 |
| Balance as of January 1 | | |
| Cost | 30,665 | 19,933 |
| Accumulated amortization | 0 | 0 |
| Book value | 30,665 | 19,933 |
| | | |
| Changes: | | |
| Additions | 14,870 | 10,732 |
| Impairments | 0 | 0 |
| Total changes | 14,870 | 10,732 |
| Balance as of December 31 | | |
| Cost | 45,535 | 30,665 |
| Accumulated impairment /amortization | 0 | 0 |
| Book value | 45,535 | 30,665 |

Note 32 Loan Subsidiaries

| Loan subsidiaries | 2022 | 2021 |
|--|---------------|---------------|
| Non-current loan to subsidiaries | 45,000 | 45,000 |
| Current loan to subsidiaries | 0 | 29,333 |
| Closing loan subsidiaries | 45,000 | 74,333 |
| Non-current loan to subsidiaries | 2022 | 2021 |
| Opening loan | 45,000 | 49,333 |
| To current loan subsidiaries | 0 | -29,333 |
| Additions | 0 | 25,000 |
| Closing non-current loan subsidiaries | 45,000 | 45,000 |
| Current loan subsidiaries | 2022 | 2021 |
| Opening loan | 29,333 | 0 |
| Repayment | -29,333 | 0 |
| Current part of loan subsidiaries | 0 | 29,333 |
| Closing current loan subsidiaries | 0 | 29,333 |

The parent company has provided subsidiaries with loans up to SEK 74.3. This loan consists of two parts. The first part has an outstanding amount of 29.33 MSEK with an ultimate maturity date of December 31, 2022. The second part has an outstanding amount of 45 MSEK with an ultimate maturity date of November 30, 2025. Both parts bear an interest of 6% per annum.

Note 33 Shares and participation in subsidiaries

| | 2022 | 2021 |
|--|----------------|----------------|
| Opening acquisition value | 415,688 | 413,952 |
| Movements in the year | 4,198 | 1,736 |
| Closing accumulated acquisition value and Carrying amount | 419,886 | 415,688 |

The movements in equity are related to the long term incentive programs (LTIP).

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 | |
|--|------------------|----------------------------------|---------------------------|---------------------|------------------------|-------------|
| | | | | | 2022 | 2021 |
| Sensys Gatso Sweden AB | 100% | 556811-3376 | Jönköping, Sweden | 500 | 31,332 | 30,391 |
| Sensys Gatso Group BV | 100% | 34030301 | Haarlem, The Netherlands | 3,598 | 388,555 | 385,297 |
| Sensys Gatso Middle East Safety & Security Company | 100% | 1010786077 | Saudi Arabia | 1 000 | | |

| Sub-subsidiaries | Ownership | Corporate Identity Number | Registered offices | No. of share |
|--|------------------|----------------------------------|-----------------------------|---------------------|
| Sensys Gatso Netherlands | 100% | 34065996 | Haarlem, The Netherlands | 500 |
| Sensys Gatso Software B.V. | 100% | 34077170 | Haarlem, The Netherlands | 400 |
| Sensys Gatso International B.V. | 100% | 34064750 | Haarlem, The Netherlands | 400 |
| Sensys Gatso Australia Ltd. | 100% | ABN20086 166494 | Sydney, Australia | 1,000 |
| Sensys Gatso Deutschland GmbH | 100% | HRB 67669 | Hilden, Germany | 25,000 |
| Sensys Gatso Americas B.V. | 100% | 34279593 | Aerdenhout, The Netherlands | 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, Hong Kong | 1 |
| Gatso Canada | 80% | BC1009998 | Alberta, Canada | 10,000 |
| Sensys Gatso Japan KK | 100% | 0110-01-101894 | Tokyo, Japan | 100 |
| Sensys Gatso Costa Rica Sociedad Anónima | 100% | 3-101-786819 | San José, Costa Rica | 600 |
| Sensys Gatso LaTaM S.L. | 100% | B05296892 | Madrid | 5,000 |
| Sensys Gatso Colombia S.A.S. | 51% | 901.533.249-2 | Barranquilla | 1,000 |
| Nationwide Traffic Management Ltd | 40% | CS756382015 | Ghana | 1,200,000 |

Note 34 Shareholders' equity

Share capital

The share capital of Sensys Gatso Group AB amounts to SEK 46,088,820.30 (46,088,820.30), divided into 921,776,405 (921,776,405) 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 |
| 2020 | Directed Share Issue | 53,571,475 | 2,678,573.75 | 45,679,794.15 | 913,595,882 | 0.05 |
| 2020 | Conversion of vendor loan | 8,180,523 | 409,026.15 | 46,088,820.30 | 921,776,405 | 0.05 |

Note 35 Transactions with shareholders

| Liabilities to shareholders | 2022 | 2021 |
|--|----------|--------------|
| Non-current liabilities vendor loan | 0 | 0 |
| Current liabilities vendor loan | 0 | 8,527 |
| Closing liabilities to shareholders | 0 | 8,527 |
| Non-current liabilities to shareholders | 2022 | 2021 |
| Opening liabilities | 0 | 8,171 |
| To current liabilities to shareholders | 0 | -8,527 |
| Currency/net present value adjustments | 0 | 356 |
| Non-current liabilities | 0 | 0 |
| Current liabilities to shareholders | 2022 | 2021 |
| Opening liabilities | 8,527 | 10,038 |
| Off-set vendor loan in New share issue | 0 | 0 |
| Repayment | -8,527 | -10,038 |
| Current part of promissory note | 0 | 8,527 |
| Current liabilities | 0 | 8,527 |

Note 36 Accrued expenses and accrued income

| Accrued expenses and deferred income | 2022 | 2021 |
|---|--------------|--------------|
| Accrued salaries | 3,015 | 2,422 |
| Holiday pay liability | 241 | 140 |
| Social charges | 205 | 536 |
| Accrued Audit and advisory expenses | 1,022 | 1,190 |
| Other | 0 | 1,067 |
| Total | 4,482 | 5,354 |

Note 37 Fees to auditors

| Fees to auditors | 2022 | 2021 |
|-------------------------|--------------|--------------|
| Audit assignment | 1,875 | 1,255 |
| Other assignments | 0 | 8 |
| Total | 1,875 | 1,263 |

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 suppliers. The Group develops, manufactures and markets traffic safety systems that are preliminary used for monitoring red-light and speed control. At year end, Sensys Gatso Group AB had 16,819 shareholders. Together, the ten largest shareholders hold 34.7 percent (34.4) of the shares outstanding.

Note 39 Appropriations

| Appropriations | 2022 | 2021 |
|------------------------------|--------------|---------------|
| Group contributions received | 1,239 | 11,212 |
| TSEK | 1,239 | 11,212 |

Note 40 Proposed appropriation of profit or loss

| The following profits are at the disposal of the Annual General Meeting: | 2022 |
|--|----------------|
| Share premium reserve | 475,512 |
| Retained earnings | -33,148 |
| TSEK | 442,364 |

The Board of Directors proposes that no dividend will be paid for 2022 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 15 May 2023.

Jönköping, April 17, 2023

Claes Ödman
Chairman of the Board

Jochem Garritsen
Board Member

Pia Hofstedt
Board Member

Kerstin Sjöstrand
Board Member

Christina Hallin
Board Member

Francis Schmeer
Board Member

Ivo Mönnink
Chief Executive Officer

Our audit report was submitted on April 17, 2023
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 2022 except for the corporate governance statement on pages 26-32. 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 2022 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 2022 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 26-32. 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 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.

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 2022.

An impairment test contains several 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 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 recoverable attributable to unutilised tax losses

In Note 11 Deferred tax, it is stated that the group reports deferred tax recoverable totalling a significant amount. These amounts include fiscal losses carried forward in Sweden. 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. 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 which the group management had prepared 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. In executing our audit, we examined to determine if there were any adopted or forthcoming changes in the tax regulations in Sweden 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 and 78-80. 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 consider 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

The auditor's audit of the administration of the Board of Directors and the Managing Director and the proposed appropriations of the company's profit or loss

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 2022 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 to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Sensys Gatso Group AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sensys Gatso Group AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts [and consolidated accounts]. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 26-33 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 (publ) by the general meeting of the shareholders on 11 May 2021 and has been the company's auditor since 2018.

Stockholm, date as per electronic signature
BDO Mälardalen AB

Johan Pharmanson
Authorized Public Accountant

Information to the shareholders

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

- » Q1 2023, 26 April
- » Q2 2023, 17 August
- » Q3 2023, 16 November
- » Q4 2023, 22 February 2024

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 15 May 2023 at the Company at Vasavägen 3c in Jönköping.

The Board of Directors has, in accordance with Chapter 7, Section 4a of the Swedish Companies Act and the articles of association of the Company, resolved that the shareholders shall also have the right to exercise their voting rights through postal voting ahead of the Meeting. Thus, shareholders may choose to exercise their vote at the Meeting through being present in person, through proxy or through postal voting.

Voting at the Annual General Meeting

Those who wish to exercise their voting rights at the Meeting must:

- » be entered as a shareholder in the share register kept by Euroclear Sweden AB on Friday 5 May 2023 or, if the shares are registered in the name of a nominee, request that the nominee registers the shares in their own name for voting purposes in such time that the registration is completed by Tuesday 9 May 2023; and
- » give notice of attendance to the Company in accordance with the instructions set out in the section "Notice of attendance for participating in person or through a proxy" or submit a postal vote in accordance with the instructions set out in the section "Postal voting" no later than on Tuesday 9 May 2023.

Notice of attendance for participating in person or through a proxy

Those who wish to participate in the Annual General Meeting in person or through a proxy shall give notice of attendance to the Company by mail to Sensys Gatso Group AB, Box 2174, 550 02 Jönköping or by e-mail to info@sensysgatso.com. The notice of attendance shall state name, date of birth or corporate identification number, address, telephone number and, where relevant, the number of accompanying advisors (not more than two).

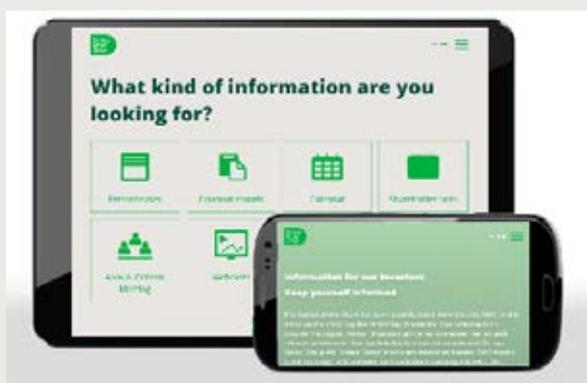
Shareholders represented through a proxy must issue a written power of attorney for the representative. A template proxy form is available at the Company's website, www.sensysgatso.com. The proxy form template is also available at the Company or may be order via e-mail info@sensysgatso.com. The power of attorney shall be sent to the Company, to the address above, well in advance of the Meeting. Documents of authority in original shall be presented at the Meeting. A proxy representing a legal person shall append a copy of a certificate of registration showing the authorized company signatories.

Postal voting

Shareholders who wish to exercise their voting rights by postal voting shall use the voting form and follow the instructions available on the Company's website, www.sensysgatso.com. The postal vote must be received by the Company no later than on Tuesday 9 May 2023. The postal voting form shall be sent to the Company by mail to Sensys Gatso Group AB, Box 2174, 550 02 Jönköping or by e-mail to info@sensysgatso.com. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote (i.e. the advance vote in its entirety) is invalid. Further instructions and terms are set out in the postal voting form.

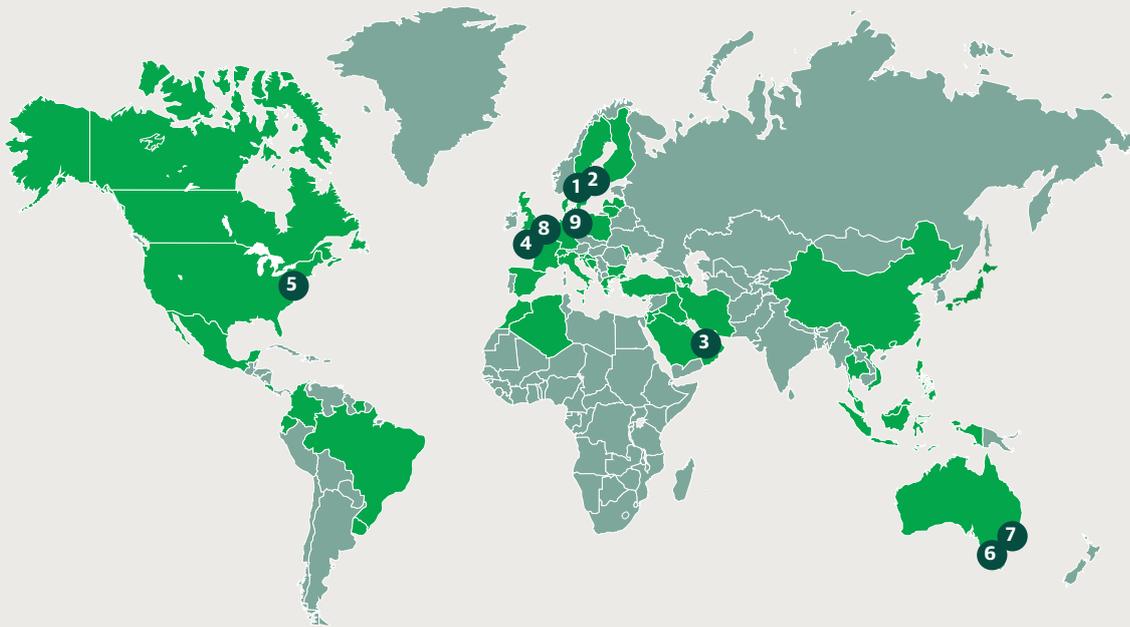
Contact for financial information

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



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.

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Sensys Gatso is a global leader in traffic management solutions for nations, cities and fleet owners. Sensys Gatso has subsidiaries in Australia, Costa Rica, Germany, the Netherlands, Sweden, and the USA, and a branch office in the United Arab Emirates and has a total of 284 employees. The Sensys Gatso Group's shares are listed at NASDAQ Stockholm.

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