

Sensys  
Gatso  
Group

› 2017

ANNUAL REPORT



## Table of Contents

Comments from the CEO	6
We invented an entire industry	8
Sensys Gatso is all about integrity	10
The Market	12
Our most valuable resources	15
Sustainability report	16
Auditor's report on the statutory sustainability report	19
Sensys Gatso Group share information	21
<i>Administration Report</i>	22
<i>Five year summary</i>	26
<i>Key figures</i>	27
<i>Corporate Governance Report</i>	28
<i>Board of Directors</i>	34
<i>Senior executives</i>	35
<i>Group: Statement of Income and other comprehensive income</i>	36
<i>Group: Balance Sheet</i>	37
<i>Group: Statement of changes in shareholders' equity</i>	39
<i>Group: Cash Flow</i>	40
<i>Accounting and valuation principles</i>	42
<i>Notes on the accounts, Group</i>	47
<i>Risk management</i>	55
<i>Parent company: Income statement</i>	56
<i>Parent company: Balance Sheet</i>	57
<i>Parent company: Cash Flow</i>	59
<i>Parent company: Statement of changes in shareholders' equity</i>	60
<i>Notes on the accounts, Parent company</i>	61
Auditor's report	67
Information to the shareholders	70
Addresses	71





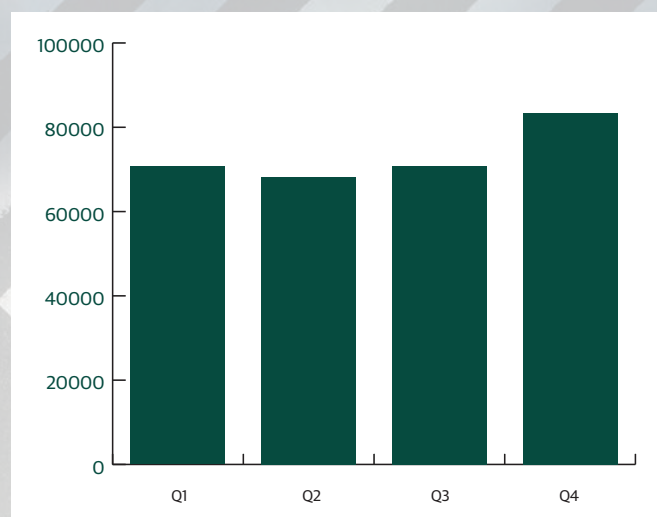
## Vision

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

## Mission

Sensys Gatso - Making traffic safer®

## Sales (SEK K)



## 2017 Annual Report

Sensys Gatso Group AB is a Swedish company that is subject to Swedish legislation. All amounts are expressed in Swedish kronor. Millions of kronor are abbreviated to MSEK and thousands to TSEK. Numerical data within parentheses refer to the 2016 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](http://www.sensysgatso.com) under Investera/Investor Relations, where a printed copy of the Annual Report may also be ordered. A copy of the Annual Report can also be obtained by calling +46 (0)36-34 29 80, by e-mailing a request to [info@sensysgatso.com](mailto:info@sensysgatso.com).



# 2017 in brief

- » Net sales MSEK 293.1 (436.6)
- » Order intake MSEK 348.9 (199.9)
- » Operating profit MSEK -54.8 (-23.2)
- » Gross margin (%) 39.6 (33.6)
- » EBITDA MSEK -15.9 (25.3)
- » The profit after tax MSEK -61.8 (-24.4)
- » Comprehensive income -64.9 MSEK (-0.7)
- » Earnings per share, before and after dilution, SEK -0.07 (-0.04)
- » Cash flow from operating activities amounted to MSEK -39.3 (88.4)

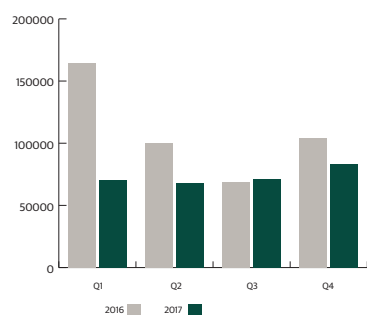
## Significant events

- » Sensys Gatso's rights issue fully subscribed. Through the rights issue, Sensys Gatso has received proceeds amounting to approximately SEK 103.3 million before issue costs.
- » Sensys Gatso has received orders worth 58 MSEK from the Swedish Transport Administration.
- » Sensys Gatso has been awarded a one-year managed service contract for detecting uninsured vehicles, estimated to be worth SEK 17 million in Oklahoma, USA.
- » Sensys Gatso has been awarded a 10-year contract for automated speed enforcement, estimated to be worth SEK 60 million over this contract period in Ohio, USA.
- » Sensys Gatso has appointed a new CEO. The new CEO, Ivo Mönnink, started on October 1st.
- » The Group has received orders worth SEK 18.6 million from Belgium.
- » The Group has signed contract in Southern Europe amounting to SEK 25.6 million.
- » Sensys Gatso Group AB has transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB.

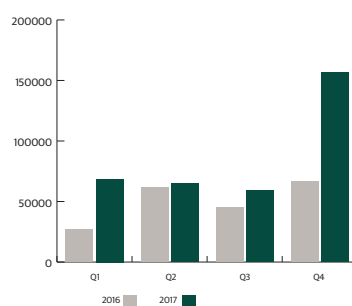




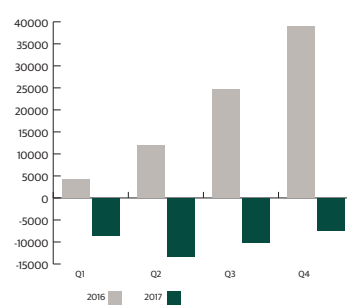
## Net sales



## Order intake



## Cash flow





# Comments from the CEO: From integration to integrity

This year, and in the years to come, will be all about showing integrity and becoming an even stronger company. Sensys and Gatso, each with strong brands in automated traffic enforcement, have become a singular force, Sensys Gatso Group – and stronger than ever.



First things first. I became the CEO of Sensys Gatso Group in October 2017. Since then, I've obtained new knowledge about our state-of-the-art technology and cutting-edge products for traffic enforcement. Above all, I've had the opportunity to get to know some of the greatest people in the industry. For me, it's a privilege to work alongside such dedicated colleagues and customers. I'm glad to be on board.

## **2017 was a slow starter**

From a business point of view, 2017 started relatively slow. We faced unfavorable market conditions, especially in the Middle East, due to low oil prices and a general economic slowdown. Several projects, especially system projects with government bodies, were postponed. For obvious reasons, that put pressure on our organization. When you have a commercial mindset, and a winning attitude, that's a frustrating situation.

In the second half of the year the market in the Middle East started to recover, making us optimistic about the outlook for 2018. The Middle East is certainly an important growth area for traffic enforcement in general, and for Sensys Gatso in particular. In conjunction with the introduction of new regulations in some countries, traffic enforcement has started to bloom. A similar pattern can be seen in some Eastern European countries.

2017 was good in some markets, okay or challenging in others. In Germany we had the highest yearly turnover since the start of the German subsidiary. The Australian market looked promising at the beginning of the year, but delivered little in the shape of major programs or projects. This did not only affect Sensys Gatso but also our competition in that market.



Our biggest client Down Under delayed their ordering in the second half of 2017 due to external circumstances. These challenges have been overcome and we are quite confident we can close the gap in 2018 in Australia.

Finally we saw significant growth this year from order intake in the U.S.A., which is a prioritized market for Managed Services. Here we ended 2017 on a high with a 10-year contract regarding a speed enforcement program in the state of Ohio. Annual sales are expected to be USD 700,000 corresponding to SEK 60 million throughout the entire contract period. We have also been awarded a one-year managed service contract based on performance, estimated to be worth SEK 17 million in Oklahoma, USA.

### We have turned the boat around

All in all, market conditions all over the world have started to look much more favorable. During the second part of 2017, and in the beginning of 2018, we've seen quite a few projects coming back to life again, leading to a healthy backlog in the fourth quarter.

Certainly, our focus on manufacturing and staffing efficiencies have led to better cost controls - but it's really in the development of post-merger synergies through strategic planning and *accountability* that propels us forward and brings us in line with our goals.

In the coming years, Sensys Gatso will focus on building even more close, long-term relationships with customers. The basis for our growth plan is the sale of complete systems and long-term maintenance programs. The business unit Managed services offers the single largest potential for building stronger and longer customer relationships. It shows our experiences and we have intensi-

fied the work of identifying markets where we can duplicate the success of Managed Services that also enables recurring revenue.

### The introduction of PULS

One of the most exciting events for us in 2017, was the launch of PULS.

This in-house developed software application collects evidential data, which is utilized by government institutions for enforcement and control purposes. PULS is not just about technology, it's about quality of life through traffic safety monitoring and enforcement. PULS is groundbreaking in many ways, but above all it shares its soul with all innovations from Sensys Gatso, namely integrity. Cities around the world are competing to create the best places for people to live. That takes a great understanding of how to build sustainable cities, and how to make the best use of technology in people's everyday lives. PULS is built with that notion in mind, much like Sensys Gatso.

### Our success depend on integration

If I was to summarize last year in one word, I would use the word integration. Last year was about the continuous process of merging ideas, business models, products, technology, and people into one strong company. Today, Sensys Gatso is a much more integrated company, compared to 2016, but of course there is still some ground to cover. The merging of two renowned companies such as Sensys and Gatso requires skills, time and patience. Most importantly, a merger of this scale takes common ground. A set of values that cements how we develop our products and services, approach our customers and work together as a team. We started our journey to discover our new common culture and arrived at one powerful word that defines who we are and what our products rep-

resent. That one word is '*integrity*'. In our world we are responsible for delivering high quality systems and services that seamlessly operate together and that produce images and data that is indisputable. Output that can never be challenged technically for its legal conformity.

Until recently our systems and services were developed, built and maintained by our local staff. We have made great progress in integrating these teams. As an example, we are now one cohesive Jönköping-Haarlem product development team leveraging all the great ideas of our team. The beauty of this new platform is that everyone at Sensys Gatso will be working together to provide the best possible solutions to our customers, regardless of where the ideas or the products originated from. We are rapidly becoming an integrated company, and we can all be proud of this.

### Integrity is in our DNA

To wrap things up, I'll stop where I started. In the past, our common core value was 'Customer focus'. It's obviously true, but it doesn't tell the whole story. Nowadays, everything we do revolves around one powerful word. *Integrity*.

It defines who we are as people, and as a partner to our customers. All of our actions are based on upon that single word. It's been in our DNA for 60 years and sets us apart from many of our competitors. Showing high integrity is a way of being, a way of building our products and providing services and above all a way of doing business.

With that said, I would like to thank you; our customers, our shareholders, our partners, and our employees, for putting your trust and engagement in Sensys Gatso. We put our trust in you.

Ivo Mönnink  
CEO, Sensys Gatso Group

"Nowadays, everything we do revolves around one powerful word. It's spelled *integrity*. Integrity defines who we are as people, and as a partner to our customers."



# We invented an entire industry

Sensys and Gatso were built upon the same principle of integrity. We wanted to eliminate human error, and unsafe conditions in traffic. Through ingenuity, integrity and integration, we became Sensys Gatso, the inventor of our own line of business.

## The father of the speed camera

The Gatso side of the story began in 1911, in the Dutch East Indies, where Maurice Gatsonides was born. He was the child of a diplomat, but politics wasn't Maurice's cup of tea. From an early age he was a bold and adventurous inventor. He seemed to understand machines and technology like no other. Back in Holland, he became a flight engineer, a car manufacturer, a famous rally champion, and a true entrepreneur. Above all, he became the pioneer of speed-camera enforcement.

Maurice's enthusiasm for motor sports led him to the high-octane life of rally. He started out as an amateur racing pilot and later became the first full time professional in the world. His track record consists of winning the Monte Carlo rally in 1953 in a Ford Zephyr, and several appearances in the Le Mans 24-hour race, among many other races. The need for speed, and the will to excel as a driver, made him think outside the box. Using his electrical engineering skills, and his will to win, he invented an ingenious device to time his own racing laps. By doing so, he eliminated human error and fundamentally changed the art of motor sports timing forever. At the same time, he laid the foundation for modern traffic enforcement.

Later, in 1958, he saw a new use for his invention, called the Gatsometer. It was the world's first speed enforcement camera. Before the Gatsometer was introduced, police officers had been timing motorists across two fixed points. They did

this with manual stopwatches. The Gatsometer was a true revolution in traffic safety and traffic enforcement and it became the foundation for the Gatso company. In the years to come, the company introduced several groundbreaking innovations for traffic enforcement.

## A match made in Sweden and Holland

Many years later, in 1982, far from the glamour and heat of the Monte Carlo rally, a Swedish company was founded. It was called Sensys. There were no rally drivers at Sensys, just skilled engineers, that started out with de-





veloping the first 10 Ghz radar. Some years later Sensys introduced the RC100 tracking radar sensor and the company was awarded a contract by the Swedish National Police. Sensys became a publicly traded company on the Stockholm Stock Exchange in 2001. In the beginning of the millenium, Sensys also became the biggest supplier of speed enforcement systems in Sweden, and was awarded the national contract for speed enforcement. In 2015, Sensys acquired Gatso, and the Sensys Gatso Group was born. The rest is not history, it's history in the making.

"It was crucial to the success of the merger that Sensys and Gatso were a cultural fit. Our thoughts about customer focus and integrity were identical. It was almost like they had "stolen" our core values. Sensys and Gatso were truly a perfect match."

Timo Gatsonides, CTO at Sensys Gatso Group AB and grandson to Maurice Gatsonides.

He is taking Maurice's legacy into the future with pride.

### Sensys and the Vision Zero initiative

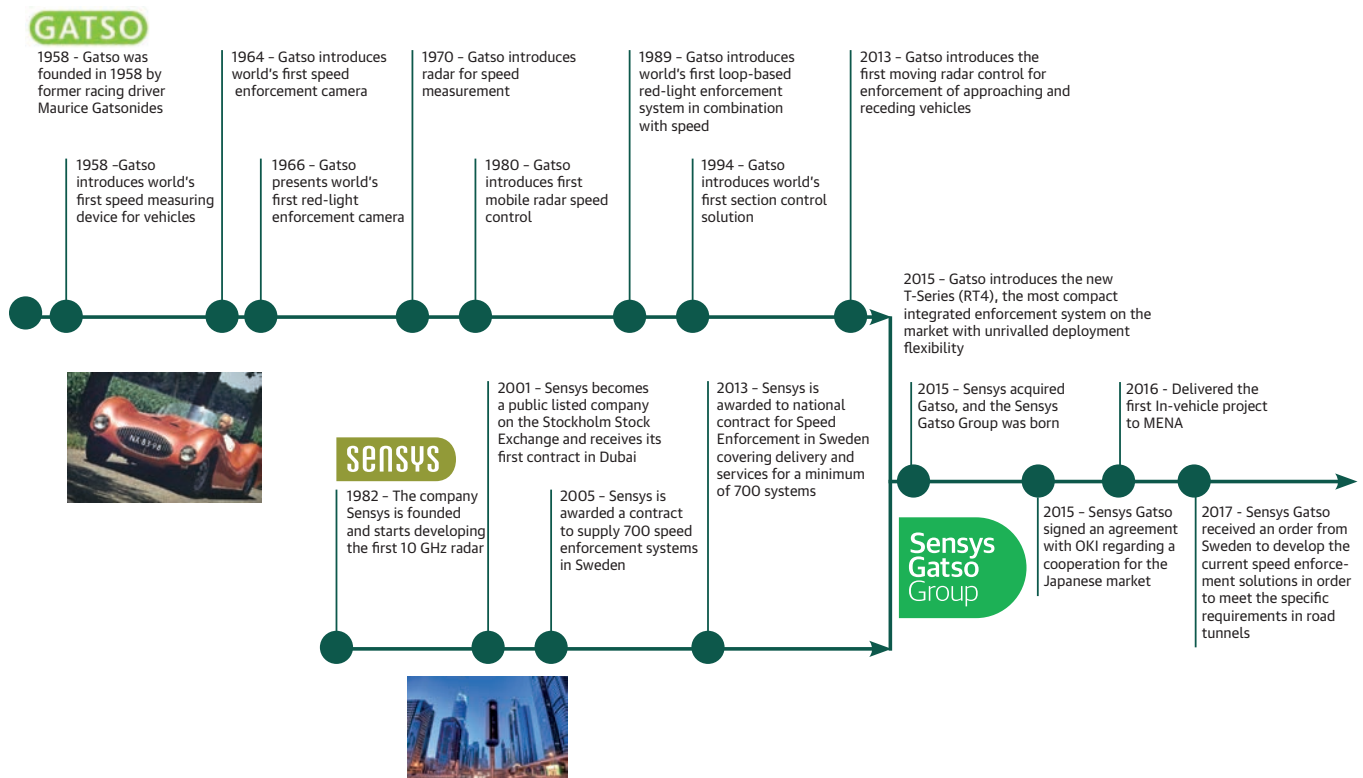
Sensys is an essential part of the history of Swedish road safety, and participates in the famous Vision Zero initiative. The Vision Zero concept was established by a group of road safety experts at the Swedish Transport

Administration. It's based on the fact that humans make mistakes in traffic, just like Maurice Gatsonides saw it in the 60's. When launched in the late 1990s, the Vision Zero concept became widely established. Sensys was one of the players that embraced and helped implement the policy in Sweden. Traffic Safety Cameras from Sensys were innovations that increased the level of safety on Swedish roads, together with the development of cars and improved roads (eg midfield and highways). Since then, products from Sensys have made roads safer, and most importantly decreased the number of serious injuries and fatalities in traffic. On roads with our Traffic Safety Cameras the average speed has been reduced by 5 percent and the number of fatal accidents has been cut by 30 percent.

"The single most important factor that gives Trafikverket such confidence in Sensys Gatso is Integrity. Our collaboration is built on trust where we never compromise on what's important. After all, we are working with systems that enforce people."

Erik Hemgren, Key account manager,  
Sensys Gatso Sweden

Today, as Sensys Gatso Group, we're proud to be part of two important milestones of traffic history - the invention of the speed camera and the birth of a entirely new way of thinking, the Vision Zero concept.





# Sensys Gatso is all about integrity

Integrity stands for honesty, trustworthy, strength of character, consistency, accountability, reliability, ethics, legality, uprightness, authenticity, transparency, and truthfulness. Together, they're the building blocks of our DNA. Culture cannot be forced upon people, it needs to have a life on its own, grow and draw people in. At Sensys Gatso, our culture is integrity.

## A truly global company

In our line of work, integrity can mean a lot of things. Integrity is first and foremost a matter of mutual trust. Sensys Gatso operates in various markets around the world, but we're always the same reliable and trustworthy partner, wherever or whenever you encounter us. As a company and as a partner, we don't see ourselves as Swedish, Dutch, American, Arabic, German, or Australian. Sensys Gatso is global, and our common language is integrity.

"As a CFO and individual I strongly believe in teamwork, transparency and integrity. My main objective is to create value for stakeholders by combining and excelling all competences within a team and organisation."

Simon Mulder, CFO  
Sensys Gatso Group

## Enforcing with integrity

Sensys Gatso is in the business of helping authorities correct unwanted or harmful behaviour in traffic. Fortunately, most people are law abiding citizens, but some need a nudge in the right direction, and a reminder when they're violating the law. Traffic enforcement is of utmost importance for our business, and for society. If you remove the integrity aspects of traffic enforcement, gov-

erned by society, you can't expect people to accept the consequences of traffic violations. To us, everyone is equal before the law, and has the right to feel safe in traffic. It's our job to help our customers enforce violations, whether it's a matter of reducing speed, noise or emissions. Sensys Gatso also embraces the principles of the Swedish Vision Zero concept. No loss of life in traffic is acceptable. To create safer cities and rural areas, enforcement is a necessity. It's as simple as that.

## Protecting data and people

Integrity of evidence is extremely important, regardless of the type of traffic violation. Protecting the data, collected from hardware and managed by software, is one of the most important aspects of our business. It's in our own interest to protect our customers' data at all times, at all cost. That's why governments around the world trust Sensys Gatso. The integrity of Sensys Gatso's systems is essential for people when it comes to trusting the data, and the justice system in general.

To prevent misuse of data and equipment, we have many advanced tech features in place. We keep the encryption keys and protect the evidence inside our devices in our own special way. Anyone viewing, changing or tampering data in our back-office applications leaves a complete trail. We are in the enforcement business to improve traffic safety and

quality of life, not to put people in danger. Ultimately, we help our customers collect and protect data to save lives.

"Integrity is about putting the customer first, and delivering on your commitments. It is also about ensuring complete transparency in your dealings with the client, and working with local partners that do the same."

Claes Ödman, Chairman of the board,  
Sensys Gatso Group

## Join the transparent side of business

Most of our solutions, products and services are used by our customers over a long period of time. Customers are committed to us, and we are committed to them in long-term partnerships. That calls for two-way trust and respect. In practice, it means that we want to know who we are doing business with and ensuring that the customer always knows what to expect from us. We don't make commitments that cannot be met, and we don't hide problems. All commitments, in all of our business relationships, are made with honorable intentions.



We simply want our customers to get the best possible solutions, by being truthful and realistic. Additionally, we strongly oppose any form of corruption and abuse of entrusted power. All in all, we act visibly and understandably, It's the professional way of doing business. That's yet another reason why integrity is important.

"I would say that integrity is a moral standard that I apply in everyday activities, both in my private life as well as my business life. Integrity can not be claimed or bought, it needs to be lived up to."

Joris Lampe, CCO,  
Sensys Gatso Group





# The Market

According to the World Health Organization (WHO), there are more than 1.25 million road traffic fatalities globally every year and 20-50 million people are injured. The Sensys Gatso Group delivers systems, software and services for traffic enforcement purposes. The end users are police and traffic authorities around the globe.

The traffic enforcement market, with a Total Addressable Market (TAM) of 1 billion Euros, is a part of the global road safety market with a TAM of 2 billion Euros defined as systems, software and services for road safety (source: MarketsandMarkets). The global road safety market is a part of the global ITS market worth well beyond 10 billion Euros.

## The road safety market

The road safety market covers speed enforcement, red light enforcement, incident detection, bus lane compliance, Automatic License Plate Recognition (ALPR, or ANPR, Automatic Number Plate Recognition) and others. Sensys Gatso mainly operates in the red light and speed enforcement markets and is also providing solutions to the bus lane compliance and ANPR markets. Other types of enforcement in our portfolio include

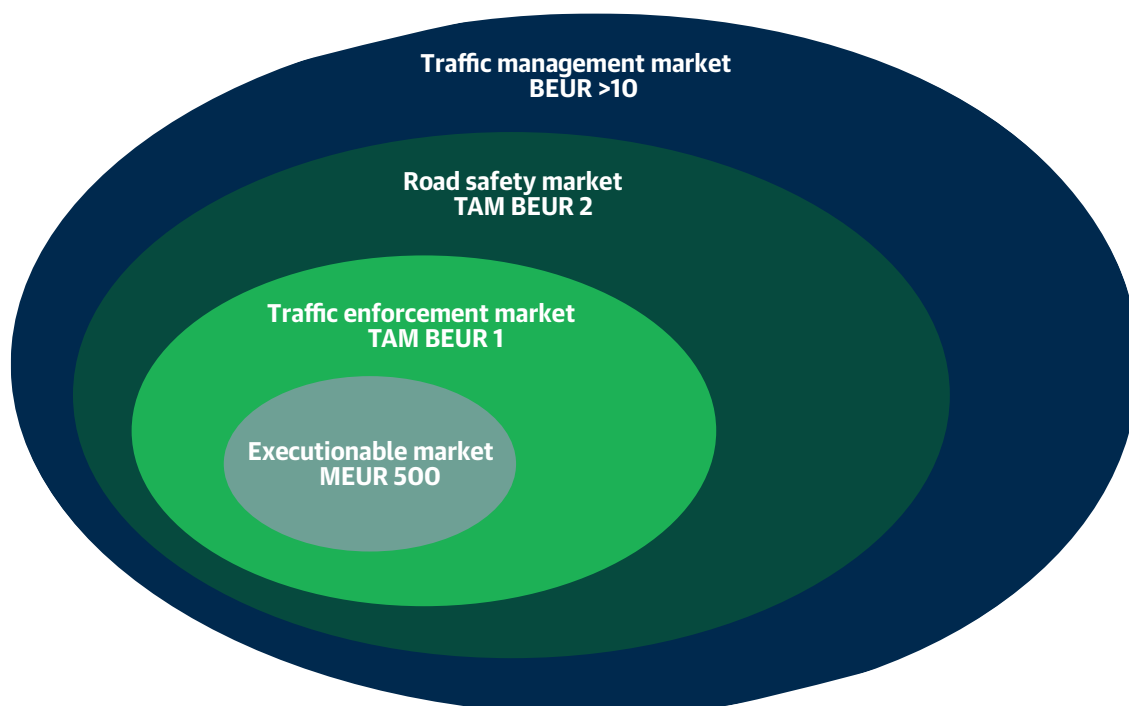
the detection of illegal U-turns, lane changes and blocking an intersection.

## The traffic enforcement market

The traffic enforcement market is almost equally divided between the market for managed services and the systems market. The business model in the markets for managed services is a service provider model where the vendors maintain the ownership of the systems and operate the traffic enforcement system on behalf of the customer as a service to the customer. These programs are sometimes called BOT (Build Operate and Transfer), BOOM (Build Own Operate and Maintain), DBFOM (Design Build Finance Operate and Maintain). The advantages with this model is that it reduces the requirements on the customer's budgets and operational capabilities while providing a long

term recurring revenue for the vendor. The downside is that it requires the vendor to invest and potentially assume risks in the local market. In the systems market, the ownership is transferred to the customers who generally operate the enforcement themselves. This model does not require investment, at least not long term investment, by the vendor.

Sensys Gatso's target market is 50% of the addressable market, since the other markets are considered with low probability of success. The reasons could be that there are high entry barriers for foreign suppliers, an overabundance of local suppliers, low-cost competition setting the market price, or the market may have transparency issues.





The main drivers for traffic enforcement among our customers are:

- » Traffic safety - saving lives and seriously injured, often based on vision zero or vision zero like strategies.
- » Sustainable societies - reducing all negative impact that traffic and mobility has on its environment, such as pollution, particles, noise, availability and quality of life in general.

Most often, the above drivers are combined, and sometimes there is a hidden desire to create revenue but publicly traffic safety is used as an excuse. The latter often backfires on the initiatives and results in programs being wound up.

### Speed enforcement

Speeding is the number one factor when it comes to causing fatalities and serious injuries as speeding both increases the probability for a crash and the consequence when an accident occurs. Hence, speed enforcement is a key tool to reduce average speed on the roads and thereby improve traffic safety. The purpose of speed enforcement is to change driver behaviour towards better adherence to speed limits. This assumes that the speed limits are logical and adapted to the road design, meaning that if a crash occurs the people involved shall have at least a 90% chance of survival.

Automatic speed enforcement is based on a combination of a speed measuring device and a camera. Most systems in the market, including ours, use radar for measuring speed. Alternatives for radar include systems using lasers or loops. The image quality becomes more important in markets where there are requirements to identify the driver, for instance in Germany and the Nordic markets. Most markets do however only require vehicle identification as the owner is liable for the speeding offence.

There are a number of different speed enforcement applications:

**Spot speed:** The enforceable speed is measured and the photo evidence is registered at one location. This is normally used on rural roads, at black spots, at intersections or where the speed limits are shifting along the road.

### Section control, or point-to-point:

The speed is measured over a distance, between points, and the average speed is the basis for enforcement. The technology used is mainly ANPR cameras but triggered by a radar or loops. The accuracy requirements on the radar or the loops are lower in this application than for spot speed. Section control is mainly used on highways, in tunnels or on bridges, where the speed limit is the same over a longer stretch. The advantage is that section control gives better traffic flow and at dense traffic it provides shorter average travel times. Hence section control can also be introduced for traffic management purposes in the context of Managed Highways

**Mobile speed enforcement:** A system that can be transported between different locations to provide some element of surprise or uncertainty, or to be used as a more efficient tool for enforcement than manual speed checks using a laser gun. There are devices that are referred to as semi-mobile systems which are essentially fixed systems that are periodically moved, and there are mobile systems on a tripod that can be moved on a daily basis or less by an operator. In addition, these can also be vehicle-mounted and the operator then only has to move the vehicle between different enforcement locations.

### In-vehicle enforcement, or vehicle-to-vehicle:

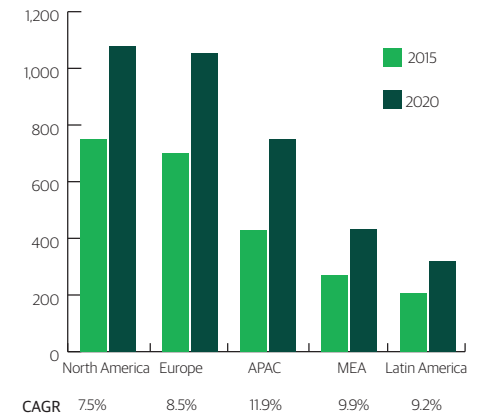
A speed enforcement system is mounted in a vehicle and can be operated while the vehicle is moving. This increases the level of uncertainty and, in combination with campaign strategy of deploying vehicle-to-vehicle enforcement, also increases the sense of enforcement presence having a calming effect on the traffic in general.

Since speed measurement is used as the legal evidence, it is subject to homologation and approvals.

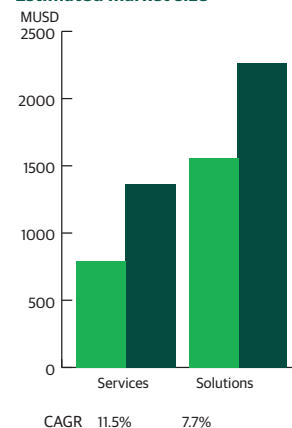
### Red light enforcement

The drivers to introduce red light enforcement are most often traffic safety as red light jumping is very dangerous, especially for the vulnerable road users. Therefore red light enforcement is an important element for safety in the cities and thereby making the cities more sustainable. Red light enforcement is most

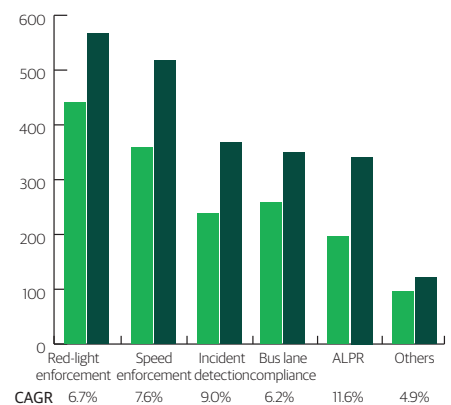
Estimated market size geographically



Estimated market size



Estimated market size, type of system



CAGR - Compound annual growth rate



frequently used in North America, South America and the Middle East, and can also be found in Europe, Asia and Australia. Red light enforcement can sometimes be subject to homologation and approvals. However, the legal evidence is constituted by the images and not a sensor based measurement.

The revenues for the end customer, generated by a red light enforcement system is generally lower than for speed enforcement. All Sensys Gatso red light enforcement systems also have the speed enforcement capability so that speed on green can be enforced. In most cases speed on green represents more than 50% of the revenues created in a red light and speed enforcement installation.

Our latest red light enforcement systems can register several other violation types specific to intersections, such as illegal U-turns, wrong lane turns and yellow box violations.

### Bus lane compliance

Bus lane compliance systems or bus lane enforcement are used in order to protect dedicated bus lanes as bus rapid transit (BRT) systems are being implemented as an effective way to promote a modal shift from private vehicles to public transport in cities. These systems are mostly based ANPR cameras used to enforce laws related to vehicles that are not allowed in the bus lane.

### Others

By merging data other types of enforcement are becoming available. For example enforcing Low Environmental Zones (LEZ) where the license plates are checked in real-time against multiple databases to check if the vehicle is allowed entry. Or checking if the vehicle has (valid) insurance. It is expected that other types of violations can be checked in the future by advanced data analytics, for example to check cut through traffic and enforcing cabotage laws (e.g. <https://ec.europa.eu/transport/>

[modes/road/haulage/cabotage\\_en](https://ec.europa.eu/transport/modes/road/haulage/cabotage_en)). Sensys Gatso launched the Puls (<https://puls.city/>) data analytics platform that supports these types of violations.

### Customer relationships across the world

Sensys Gatso Group is a market leader in system solutions and products to improve traffic safety. The company has supplied over 50,000 systems to customers in more than 70 countries and is a market leader in the European traffic enforcement market.

Our customers are primarily comprised of police and road authorities throughout the world, as well as private operators that are contracted by government agencies. Our customer relationships are characterised by close cooperation as part of a joint endeavor to find customised solutions for local needs and objectives. We have long term customer relationships, which often result in add-on sales over time.



**+50,000**  
systems delivered

**+70**  
countries



# Our most valuable resource

Sensys Gatso is in business to bring unrivalled traffic solutions to the market, but also to contribute to a better life for ourselves and our customers. By doing what we do best, we strive to make a difference in the world.

## A culture of integrity

To meet customer expectations and remain successful in the future, it's extremely important to Sensys Gatso to attract, develop and retain people with the right skills. In the end, it all comes down to culture. What kind of company do we want to be? Why should anyone want to work for Sensys Gatso? Our culture revolves around integrity. In this context, integrity means that we try our hardest to be an attractive employer that also ensures the safety, health and well-being of every single coworker. At Sensys Gatso, risk mitigation is an ongoing activity which is not limited to the physical working environment at our facilities, labs or by the roadside. It's also applied so that psychosocial hazards and risks in the workplace can be minimized.

We do believe that our coworkers feel that they can improve their ways of working and that they can grow on a personal level. Individuals as well as the company itself benefits from everyone's involvement and commitment to the development of the company.

Furthermore, our coworkers all have outstanding benefit packages and are given excellent career opportunities.

A positive and down-to-earth working environment is key to growing and stimulating a customer centric culture and it all starts with being true to who you really are.

- The intention of our local team is to satisfy our customers. I always get full support from our motivated team at Sensys Gatso. Each individual colleague is also helpful in achieving our goals, says Dietmar Schwalm, head of Sensys Gatso Germany.

## Global innovators

Sensys Gatso is a tech-company, but technology is merely our way of bringing life to the great ideas that we believe in. In-

novation is at the very core of our DNA. The skilled and talented men and women of Sensys Gatso are responsible for creating some of the industry's most advanced products. Together, they're the ones winning international tenders in competition with strong global traffic enforcement companies.

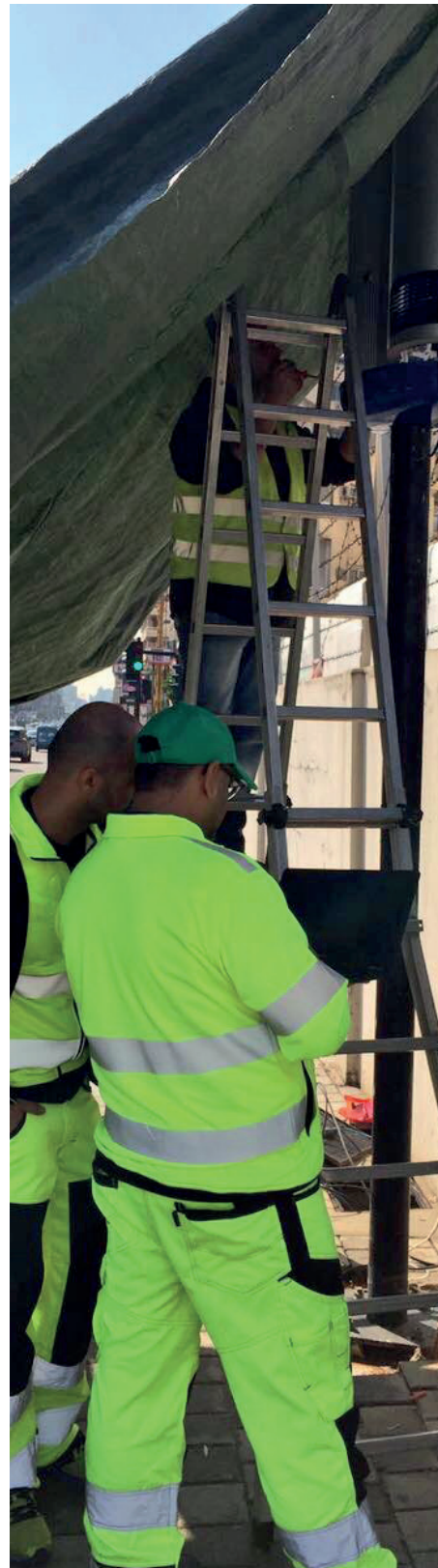
- From my personal point of view, I like to work in an organization where new challenges are a part of my daily life. I feel that both colleagues and management place confidence in my abilities, says Christer Jägenstedt, who works mainly with IT systems at the Information and Communication Technology department in Jönköping.

It's clear to us that, both our ideas and products, are needed and appreciated around the world. The cities and rural areas of tomorrow need innovative ideas and solutions from companies like Sensys Gatso to cope with the urbanization, climate change and the increased need for transports. Initiatives such as Vision Zero are gaining wide acceptance throughout the world. Sensys Gatso stays committed to contributing to a safer more sustainable society by supporting Vision Zero and other initiatives.

- The most satisfying thing about Sensys Gatso is working with a talented team of people to help clients meet their objectives, says Hatim Kapasi, project manager, Sensys Gatso Sweden.

## Our conduct and common sense

Sensys Gatso has strong business ethics and respect of others. The company's Code of Conduct is based on the UN's Universal Declaration of Human Rights. To ensure a common standard of behavior among all Sensys Gatso coworkers, we operate in accordance with a policy covering all aspects of our business. Our policy also cover our stance on issues such as corruption.



# Sustainability is the ability to see the big picture

Sensys Gatso develops, produces, markets and sells 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 thereby saving lives and social resources.

All products are based on our unique, high precision, target-tracking radars offering high legal certainty. The production of our systems is done partly by a third party supplier in Sweden but also in our own production facility in Haarlem, The Netherlands - overall engaging approximately 15 employees in Haarlem and 80 different suppliers in Sweden and the Netherlands.

Our customers are comprised of police and road authorities throughout the world, as well as private operators that are contracted by government agencies. Our customer relationships are characterized by close to find customized solutions for local needs and objectives. We have long term customer relationships, which often result in add-on sales over time. For more information about Sensys Gatso and our customers we kindly refer to note 1.

## Sustainable cities

We consider Sensys Gatso to be working in an industry that is in the beginning of a major change. The digital revolution and the increased awareness of sustainable issues in general, have changed the way people think, live, work, and communicate. In addition, the world is urbanized and hyperconnected.

Also digitization changes people's behavior and we see trends where today's young people in metropolitan areas no longer want to own their car but just rent it when necessary. We are talking about Car-to -go, Uber, self-propelled cars etc. At the same time more and more people are moving into the larger cities.

When the world is changing around us, we need to stay one step ahead, and we also notice a change of need and behavior within our customers. Traditionally, Sensys Gatso's customers have been law enforcement authorities with the need to fulfill the law requirements, while customers today are traffic safety authorities and we are already seeing a trend that future customers will be cities / municipalities focusing on a high standard of living where aspects such as that the environment should be friendly, accessible and safe scores very high.

## Environment

### A safer and healthier planet

Environmental issues are always central when developing new products, and improving existing ones. It's also an essential part of how our employees think and act. A

business trip from one country to another can easily be replaced with a virtual meeting. The functionality in our systems contributes to reduced greenhouse gas emissions, reduced speed, and smooth traffic flows. In that sense, Sensys Gatso also helps customers around the world to achieve better utilization of roads, in terms of efficiency. As some examples of our sustainability approach in development;

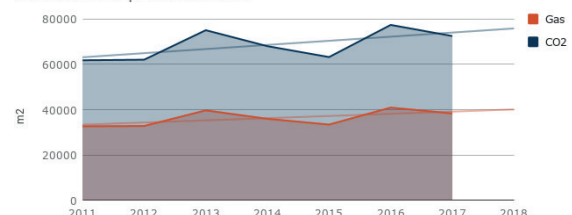
» Sensys Gatso cooperates with Dutch authorities to monitor traffic in environmental zones, both in cities and rural zones. In urban areas, our technology determines if trucks and other heavy vehicles drive through city centers within a certain timeline.

» Outside the cities, in suburbs and on the countryside, we keep track on cars driving through family neighborhoods. The benefits are calmer, more pleasant, and cleaner residential areas and roads in general.

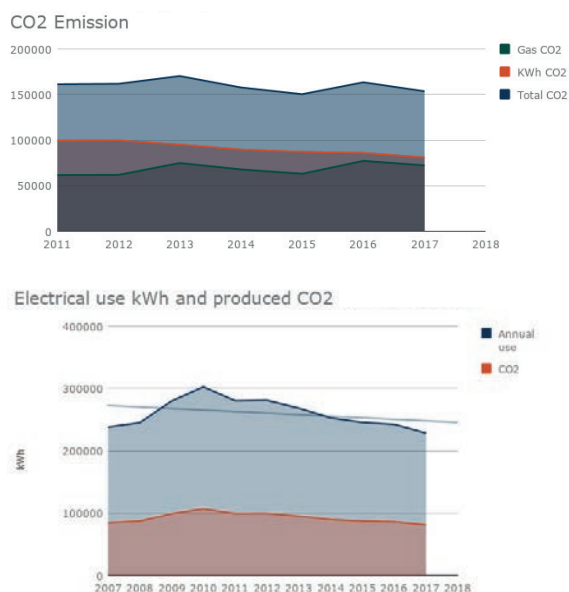
» Sensys Gatso has an ongoing test project for schools in Japan to improve the overall safety for kids and teenagers. So far, we have delivered 4 systems to the Japanese police authority. The purpose is to warn unprotected pedestrians when speeding cars approach.

Sensys Gatso complies with the WEEE directive (Waste of Electric and Electronic Equipment). The directive determines how we shall handle used electronic products in the future. Sensys Gatso also complies with the RoHS directive (Restrictions of Hazardous Substances), which refers to restricting and removing hazardous substances from electrical and electronic equipment. Our subsidiary in the Netherlands, where we have production, is certified under the ISO 14001:2004 standard, and for this entity we have yearly KPI's for usage of water, energy and gas and CO2 emission. The trend from 2012 is a steady decrease on all KPI's;

Gas use and produced CO2







In the yearly risk assessment two main areas of risk within environment has 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 try to optimize a combination of price and quality when choosing forwarder. Also we work actively to avoid unnecessary transportations by weekly planning and logistics. Deliveries are either done by air or by lorries.

Sensys Gatso does not have any Key performance indicators to measure environmental risks in transportation.

#### Within production;

The majority of the production is done by a third party. When choosing suppliers and producers, the aspects of their work towards sustainability and ISO 14001:2004 is taken into consideration.

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

Sensys Gatso use the Key performance indicators above to measure environmental risks in production.

### SOCIAL PRESENCE

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

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

We have embraced the ideas of the Swedish policy innovation, Vision Zero. Our wish is that no one should die in traffic, ever. In recent years, the Vision Zero ideas and methods have gained greater acceptance worldwide. For instance, several cities in the US have embraced the Vi-

sion Zero concept. As the concept evolves, we are committed to the Vision Zero initiatives. We will do what is needed to create a safer traffic environment and a more sustainable society.

Internationally we are an active member of the International Road Federation, a bridge between governments and industry. We have many contacts with multilateral organizations where we give presentations at their conferences: UNECE, AfDB, RS5C (VTI), ARSC (Asean Road Safety Centre).

Sensys Gatso has started to prepare for ISO 39001 certification. We are currently discussing the details of a RTS management system (Road Traffic Safety) with SIS (Swedish Standards Institute).

### EMPLOYEES

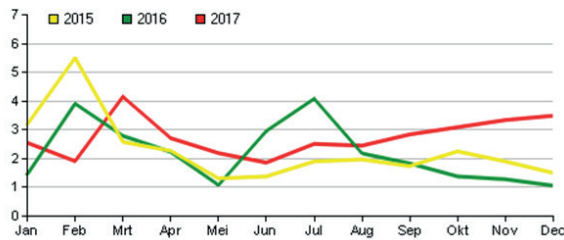
#### The heart and soul of our business

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

At Sensys Gatso, our working environment is a central issue. 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 sites on roads. In countries where road quality is low in terms of safety, we are particularly vulnerable. To avoid danger and injuries in traffic, training programs are made available to all employees. Employees, visitors, suppliers, partners, authorities and customers should always feel safe working with Sensys Gatso. It's part of our brand, and our integrity.

In general, we have a very healthy workforce. In 2017 all subsidiaries has stayed within the same percentage of sick days as previous years, being 1.5 - 2.2 %. For the production site in Haarlem we have seen a slight increase in

2017 to 2.8 % from 2.2 % in 2016. Still, the numbers are very low compared to average. There has been no long-term sickness reported.



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

During 2017 we have seen higher risks in the psychosocial working conditions due to usage of smart phones and the time zone differences - there will always be a customer awake and working. During 2017 we have included this area in the interviews with individual employees and risk analyzes.

## HUMAN RIGHTS

### Be yourself, whoever and wherever you are

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

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

Sensys Gatso honors all human rights and follows all legal and export regulations. Our position is that every individual has a basic and strong right to feel safe in traffic, regardless of the political and religious views of the specific

government. If an employee feels uncomfortable to travel to another country, due to the country's human rights policies, we won't force our co-worker to go. We respect our employees' values and their personal integrity.

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

The company does not have any KPI's to measure the accountability within Human rights. However, the feeling of being accepted and respected for who you are, is discussed in the yearly employee interviews. There is also the possibility to address a specific occasion or incident to the Worker's officer.

## ANTI CORRUPTION

### Untouchable, all the way

Since 2008, Sensys Gatso is 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 insure 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 decision from the Board of Directors, participation in certain projects are declined.

In 2017, Sensys Gatso has initiated a major upgrade of our Anti Corruption policy.

The company does not have any KPI's to measure the accountability within Anti Corruption.

## DID YOU KNOW?

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 on the countryside, we keep track on cars driving through family neighborhoods. The benefits are calmer, more pleasant, and cleaner residential areas and roads in general.



# 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 2017 on pages 16-18 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.

Jönköping, 17 April 2018

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist  
*Authorised Public Accountant*  
*Auditor in Charge*

Magnus Brändström  
*Authorised Public Accountant*

"For me, integrity means more than just the simple application of good moral values and professional ethics. It also includes the manner in which you pursue your goals, whether in business or private life – it encompasses being true to yourself and honest with your mission and dreams. Showing integrity to your work ethic while maintaining the ethical standards of which you can be proud, when you reach those goals."

Andrew Noble, President,  
Sensys Gatso USA





# Sensys Gatso Group share information

Sensys Gatso's share is listed on Nasdaq Stockholm's Small Cap list. As at 30 December 2017, the share capital amounted to TSEK 42.246 divided into 844,913,669 shares.

Each share gives the right to one vote.

## Share performance

The highest price paid for Sensys Gatso shares during the year was SEK 1.56 (18 Dec, 2017) and the lowest price paid was SEK 0.58 (11 Sept, 2017). The closing price paid on 29 December 2017 was SEK 1.53 (1.41).

In 2017, a total of 915,495,761 (1,076,148,869) Sensys Gatso shares were traded on the Stockholm Stock Exchange. At the end of the year, the market capitalisation amounted to SEK 1.293 million (926).

## 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. The profitability of the company has fluctuated and the fundamental principle of the Board is to reinvest any pre-tax profit in the business until a stable level of profitability has been reached. Once sustained profitability has been achieved, however, the ambition of the Board is to establish a long-term and, over time, stable dividend policy. When this occurs, consideration will be given to the company's profit level, financial position and other factors thought to be of relevance by the Board.

## New Shares Issue, October 2017

During October 2017, Sensys Gatso performed a new shares issue with preferential rights. Under the terms of the rights issue, each existing share held on the record date September 29th 2017, entitled to one (1) subscription right, and seven (7) subscription rights entitled to subscription for two (2) new shares at SEK 0.55 per share.

The new shares issue was fully subscribed and in addition, an oversubscription of approximately 30.0 per cent was applied for. Through the rights issue, Sensys Gatso received proceeds amounting to approximately SEK 103.3 million before issue costs.

Through the rights issue Sensys Gatso's share capital increased by SEK 9,387,929.65 from SEK 32,857,753.85 to SEK 42,245,683.50 and the total number of shares increase by 187,758,592 shares from 657,155,077 shares to 844,913,669 shares.

## The 20 largest shareholders

The shares in Sensys Gatso Group AB were held as of 29 December 2017 as follows:

	Number of shares	Proportion of share capital/ votes %
BPSS PAR/COOP RABOBANK UA*	150,288,595	17.79 %
Försäkringsaktiebolaget, Avanza pension	37,340,456	4.42 %
Bergstrand, Inger	24,521,289	2.90 %
Wall, Per	23,000,000	2.72 %
Nordnet Pensionsförsäkring AB	17,236,207	2.04 %
State Street Bank & Trust com., BOSTON	10,656,113	1.26 %
Swedbank Försäkring	8,642,650	1.02 %
Hamberg, Per Gudmund	7,312,456	0.87 %
Skandia, Försäkrings	6,842,833	0.81 %
Arding language Services Aktiebolag, Arding Lang	5,142,856	0.61 %
SEB Investment Management	4,447,636	0.53 %
Kihlberg, Jan	4,306,665	0.51 %
Danica Pension	4,241,052	0.50 %
Berger, Gunvald	3,326,273	0.39 %
Hjalmarsson, Per	3,314,283	0.39 %
Segenmark, Dan	3,250,000	0.38 %
Deutsche Bank AG, London Branch, W-8BEN	3,120,985	0.37 %
Handelsbanken Liv	2,817,806	0.33 %
Ählin, Gunnar	2,750,000	0.33 %
ULTI AB	2,700,000	0.32 %
<b>Total, 20 largest shareholders</b>	<b>325,258,155</b>	<b>38.49 %</b>
<b>Total, other shareholders (20,992)</b>	<b>519,655,514</b>	<b>61.51 %</b>
<b>Total</b>	<b>844,913,669</b>	<b>100.00 %</b>

\*149,040,980 of these shares are held (via BPSS Par/Rabobank) by Gatso Special Products BV.

## Shareholder categories

	Capital %	Votes %
Foreign shareholders	24.7	24.7
Swedish shareholders	75.3	75.3
whereof		
- Legal Entities	16.2	16.2
- Natural Persons	59.0	59.0

## Ownership concentration

	Capital %	Votes %
The 10 largest shareholders	34.4	34.4
The 20 largest shareholders	38.3	38.3
The 100 largest shareholders	50.3	50.3

# 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 2017.

## Sensys Gatso Group's operations

Sensys Gatso develops, produces, markets and sells sensors and systems that are mainly used for speed enforcement and red-light enforcement. The company also provides services and maintenance alongside sales of systems. The Group's end customers primarily comprise 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 traffic safety provider globally with a diversified product portfolio.

## Legal structure

Sensys Gatso Group consists of Sensys Gatso Group AB (publ) and the wholly-owned subsidiaries Sensys Gatso Sweden AB and Gatso Beheer BV. For additional information see note 34.

## Sales and earnings

Net sales for the full year was SEK 293.1 million (436.6). The gross margin was 39.6 percent (33.6). Profit/loss before tax amounted to SEK -65.3 million (-30.0). Profit/loss after tax was SEK -61.8 million (-24.4). For further details regarding financial performance please see page 26 - 27.

## Financial position

The Group's equity at the end of the period totalled SEK 420.1 million (386.6), producing an equity/assets ratio of 67.3 per cent (63.5). Cash and cash equivalents amounted to SEK 58.9 million (31.6) at the end of the year. Cash flow from operating activities during the year totalled SEK 39.3 million (88.4).

## Share data and key ratios

Earnings per share were SEK -0.07 (-0.04) and equity per share was SEK 0.50 (0.58). The equity/assets ratio at year-end was 67.3 percent (63.4).

## Employees

The average number of employees were 154 persons (178). The number of employees at the end of the period were 167 (169), whereof a part being part-time employees. For additional information see note 2.

## Environmental issues

The environment is a 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.

The Group is ISO certified according to ISO 9001:2008 - an international standard for quality management, where the Parent Company is certified since June 2012, and the subsidiaries since December 1996 and the Melbourne location since February 2015.

The subsidiary Gatso Beheer is also ISO certified according to ISO 14001:2004, an international standard for environment management.

Furthermore the Parent Company 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 the year 2017 SEK 4.0 million (2.4) has been capitalized as Intangible fixed assets relating to Product and Software development.

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

The Annual General Meeting in 2017 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 2017 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 Cooperatieve Centrale (Gatso Special Products BV) with 17.6% of total shares (17.6). For more information, see page 21, Sensys Gatso Group share information and ownership structure.

The annual general meeting in May authorized the Board, with or without deviation from the shareholders preferential, to do a new share issue of maximum ten (10) percent of the total number of shares in the company. Also, the annual general meeting authorized the board to repurchase a maximum of five per cent of the total number of issued shares. None of these authorizations have been used during 2017.

## 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 Sensys Gatso Group AB has as of January 1st 2017 transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB, why the business of the Parent company now consists only 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 6.3 million (118.7) and profit before taxation amounted to SEK -14.4 million (-17.2).

## Outlook for 2018

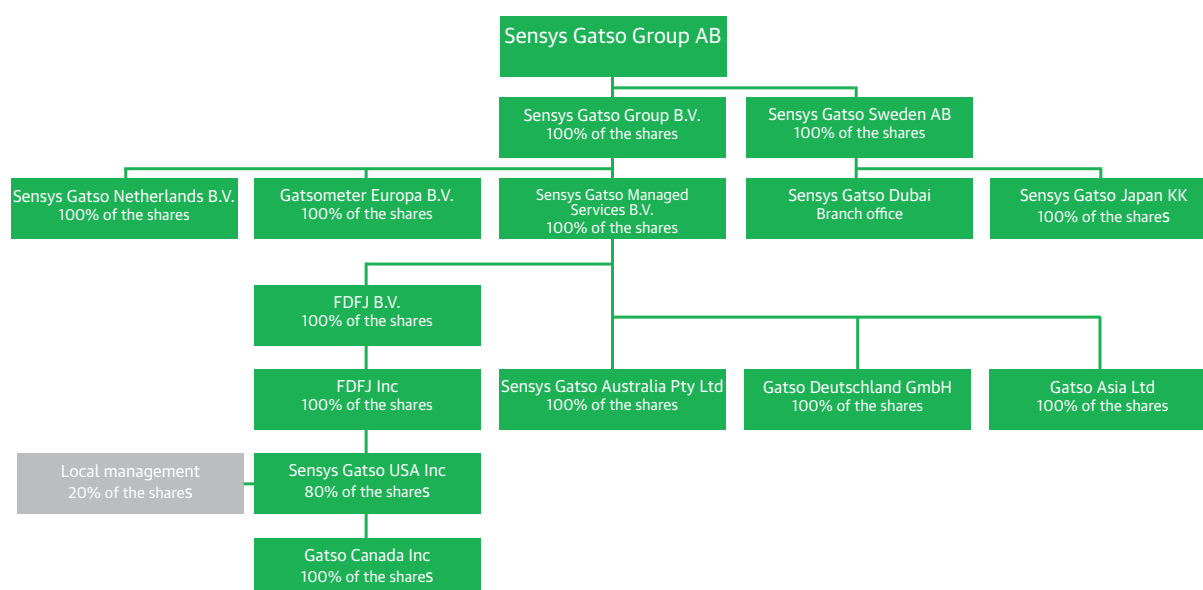
Uncertainty regarding lead times and the extent of such orders means that Sensys Gatso Group does not submit a sales forecast.

## Proposed appropriation of profit or loss

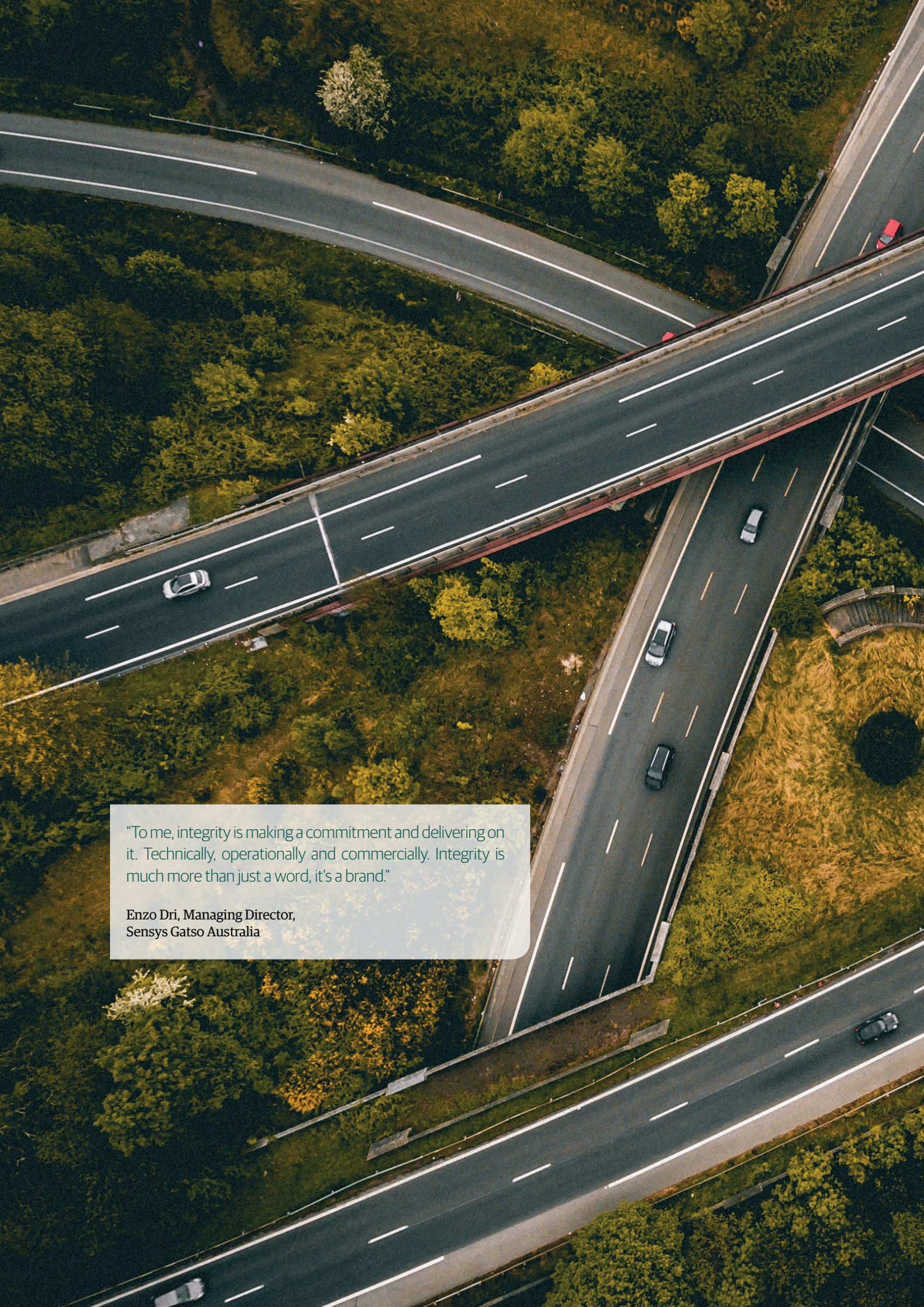
The following profits are at the disposal of the Annual General Meeting (amount in TSEK):

Share premium reserve	380,633
Retained earnings	14,372
Profit for the year	-17,424
Total TSEK	377,581

The Board of Directors proposes that no dividend will be paid for 2017 and the profits to be carried forward.







"To me, integrity is making a commitment and delivering on it. Technically, operationally and commercially. Integrity is much more than just a word, it's a brand."

Enzo Dri, Managing Director,  
Sensys Gatso Australia





"It's good to know that images from our systems have never failed as evidence in a court case. We work hard to ensure that this won't change in the future, and I'm very proud to be able to tell our customers that they can always rely on us and our measuring results."

Dietmar Schwalm,  
Head of Sensys Gatso Germany



# Five-year summary

(Figures prior 1 August 2015 are for Sensys Traffic AB stand alone)

INCOME STATEMENT	2017	2016	2015	2014	2013
Sales	293,094	436,607	397,825	160,580	62,467
Operating expenses	-347,869	-459,848	-349,122	-126,027	-73,123
Operating profit/loss	-54,764	-23,241	48,703	34,553	-10,656
Financial items	-10,552	-6,724	-1,422	517	133
Profit/loss before tax	-65,316	-29,965	47,281	35,070	-10,523
Income tax	3,470	5,581	-6,352	-7,776	0
Profit/loss for the year/Total profit/loss	-61,846	-24,384	40,929	27,294	-10,523

BALANCE SHEET	2017	2016	2015	2014	2013
Noncurrent assets	403,596	449,635	462,413	42,798	49,265
Current assets	220,671	159,848	313,144	135,323	95,347
Total assets	624,267	609,483	775,557	178,121	144,612
Shareholders' equity	420,072	386,623	387,352	141,264	113,970
Noncurrent liabilities	87,111	116,025	147,366	2,221	0
Current liabilities	117,084	106,835	240,839	34,636	30,642
Total shareholders' equity and liabilities	624,267	609,483	775,557	178,121	144,612

DATA PER SHARE	2017	2016	2015	2014	2013
Earnings per share 31 Dec, SEK	-0.07	-0.04	0.07	0.05	-0.02
Shareholders' equity per share, SEK	0.50	0.59	0.59	0.26	0.20
Dividend per share, SEK	0	0	0	0	0
Share price 31 Dec, SEK	1.53	1.41	3.61	0.81	1.06
P/E ratio	Neg	Neg	51.6	16.2	Neg
Number of shares at end of period before full conversion <sup>1)</sup> , thousands	844,914	657,155	657,155	541,234	541,234
Number of shares at end of period after full conversion <sup>1)</sup> , thousands	844,914	657,155	657,155	541,234	541,234
Average number of shares during the period before full conversion <sup>1)</sup> , thousands	673,102	657,155	589,826	541,234	505,680

<sup>1)</sup> In order to facilitate comparison over the years, the number of shares at the end of each period has been adjusted to take into consideration the split and bonus issues.



(Figures prior 1 August 2015 are for Sensys Traffic AB stand alone)

KEY FIGURES AND RATIOS	2017	2016	2015	2014	2013
EBITDA	-15,864	25,347	75,651	35,419	-10,514
Adjusted EBITDA	-15,864	29,446	75,651	35,419	-10,514
Gross margin, %	39.6	33.6	41.7	49.4	43.2
Operating margin, %	Neg	Neg	12.2	21.60	Neg
Net margin, %	Neg	Neg	10.3	21.50	Neg
Equity/assets ratio, %	67.3	63.4	49.9	79	79
Return on equity, %	Neg	Neg	15.5	21.3	Neg
Interest-bearing liabilities	82,353	99,174	214,665	0	0
Net dept	23,422	67,531	97,301	N/A	N/A
Cash flow for the year	26,099	-39,130	-1,183	31,290	36,767
Order intake	348,918	199,858	292,408	166,243	169,700
Average number of employees	154	151	178	40	32

## DEFINITIONS OF KEY FIGURES AND RATIOS

### Operating margin

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

### Net margin

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

### Equity/assets ratio

Adjusted equity as a percentage of total assets.

### Risk-bearing capital

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

### Net dept

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

### EBITDA

Operating profit before depreciation.

### Adjusted EBITDA

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

- transformation program	-16.025
- contingent liability	11,926

## FIVE YEAR SUMMARY PARENT COMPANY

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

	2017	2016	2015	2014	2013
Sales	6,276	118,749	190,284	160,580	62,467
Profit/loss before tax	-14,422	-17,207	38,543	35,070	-10,523
Total assets	502,766	496,907	569,848	178,121	144,612
Average number of employees	1	35	40	40	32

# Corporate Governance Report 2017

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarter in Jönköping, listed on Nasdaq Stockholm, Small Cap. Sensys Gatso follows the Swedish Code of Corporate Governance and hereby states the 2017 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.



(17.6). For more information on the ownership structure, share capital, share price, etc, please notice the Sensys Gatso share on page 21.

## 2017 Annual General Meeting

The 2017 AGM was held on May 19<sup>th</sup> in Jönköping. A total of 34 (43) shareholders were presented at the meeting, representing 21.8 per cent (6.6) of the votes. The CEO informed about the position of the company and commented on the results for 2016, and the first quarter of 2017. During the AGM, the shareholders were given the opportunity to ask questions. Minutes from the AGM can be found on Sensys Gatso's website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting;

- » It was resolved that no dividend for 2016 was to be made.
- » Kerstin Sjöstrand, Pia Hofstedt, Katarina Staaf, Ingemar Skogö, Claes Ödman and Jochem Garritsen were all re-elected to the Board of Directors.
- » Claes Ödman was re-elected as Chairman.
- » It was resolved that the nomination committee shall be constituted by offering the four largest shareholders the possibility to each appoint their representative.

## Shareholders and General Meetings of Shareholders

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

The number of shareholders at year end was 21,012 (21,150). The largest individual shareholder is Cooperative Centrale (Gatso Special Products BV) with a total of 17.6 per cent

## Extra General Meeting

In 25 September, Sensys Gatso held an extra general meeting in order to seek the approval of shareholders for the resolution by the Board of Directors made on 30 August 2017, on a new share issue of shares with preferential rights for the shareholders of approximately SEK 100 million. A total of 15 shareholders were present at the meeting, representing 17.8 per cent of the votes. Minutes from the GM can be found on Sensys Gatso's website. All proposals were passed unanimously. Below is a selection of the resolutions passed at the meeting;

- » the introduction of a long term incentive program for the CEO
- » it was resolved to approve the Board's proposal on a new share issue of shares with preferential rights for the shareholders.

The new share issue of shares took place during October 2017 through which Sensys Gatso received approximately SEK 103.3 million before issue costs.



## Nomination Committee

A nomination committee is formed each year at the initiative of the Chairman of the Board. According to the AGM, the nomination committee shall represent the four largest shareholders of the company. If a nomination committee comprising five members (including the chairman) is not obtained after having contacted the eight largest shareholders, the chairman shall continue to contact the shareholders that are next in turn until a nomination committee comprising four members (including the chairman) has been obtained. The work of the nomination committee takes place during the end- and the beginning of the financial year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when 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 nomination committee for 2017 was appointed based on the ownership structure as per 30 September 2017 and then known changes. Due to the new share issue performed in October, with changes of the ownership structure to follow, the nomination committee for 2017 was not fully appointed until the beginning of December, and therefore also communicated to the market later than what the policy requires.

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

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

All shareholders are entitled to approach the nomination committee with proposals for the AGM. No such proposals were received before the AGM in 2017.

## External auditors

The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the CEO's and Board of Directors's administration of the company, the annual accounts of subsidiaries and submits an

audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted accounting principles in Sweden.

At the AGM 2017, Öhrlings PricewaterhouseCoopers was appointed as auditor with Magnus Brändström and Martin Odqvist (as the auditor in charge). In February 2018 Martin Odqvist personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2017.

Audit of the Group's subsidiaries has been coordinated by Öhrlings Pricewaterhouse Coopers. All of the activities in companies with a significant scope of operations has been audited by BDO in the respective country.

Remuneration to the auditors in 2017, was paid in accordance with the table in note 22.

## THE BOARD OF DIRECTORS

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

The Nominating Committee's reasoned statement ahead of the 2017 AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nominating Committee has addressed the diversity within the Board.

The goal is that the Board shall have a suitable composition in respect of the Company's operations, phase of development and conditions in general, distinguished by a diversity and breadth of expertise, experience and backgrounds, and that an even gender balance shall be strived for. The 2017 AGM resolved to elect board members in accordance the Nominating Committee's recommendation, entailing that 6 directors were elected, of whom three are women and three are men.

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

## The work of the Board

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

## The Nomination Committee ahead of 2017 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	24,521,289	2014
Timo Gatsonides	for own holdings	149,040,980	2015
Claes Ödman	Chairman of the Board	471,818	2016

once a year. Notices and supporting documents are sent to the Board one week in advance of the Board meetings.

### The work of the Board 2017

The Board held 19 minuted meetings during the financial year (11). In conjunction with the Annual General Meeting, a statutory Board meeting was held at which decisions were made regarding company signatories, the Board's rules of procedure, CEO instructions and scheduled Board meetings throughout the year. Four of the Board meetings were held prior to the publication of interim reports, and three meetings were held with strategic focus. Several of the board meetings were held in conjunction with the new share issue.

CEO took part in all the Board meetings to present the reports. During 2017, Sensys Gatso Sweden AB's financial manager served as the board's secretary, and the Group's CFO reported of the finances. For information on the CEO, see page 35 of the Annual Report. Important matters dealt with during the year included, amongst other things:

- » Capitalization
  - Liquidity forecasting and banking
  - New share issue
- » The strategic focus of the operations
  - Interim reports and annual accounts
  - Budget
  - Taxes and transfer Pricing
- » Strategies, financial plans and forecasts
  - Follow up on the external audit
  - Business plan
- » Policies and instructions
  - Review of the Group's policies and instructions including Code of Conducts

### Board of Directors' independence

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

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

### Evaluation of the work of the Board

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

### Special committees

The Board does not include any special committees. The Chairman of the Board takes responsibility for, and makes decisions, concerning the salaries and incentive programs of the CEO and group management on the basis of policies determined at the Annual General Meeting.

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

### CEO and Group Management

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

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

### Board of Directors, as per year end 2017

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Claes Ödman	19/19	1965	2016	300,000	471,818	Swedish	Chairman of the Board	independent
Kerstin Sjöstrand	19/19	1958	2016	175,000	28,542	Swedish	Board member	independent
Pia Hofstedt	18/19	1961	2016	175,000	128,570	Swedish	Board member	independent
Ingemar Skogö	16/19	1949	2011	175,000	97,138	Swedish	Board member	independent
Katarina Staaf	19/19	1967	2016	175,000	60,000	Swedish	Board member	independent
Jochem Garritsen	19/19	1972	2015	175,000	32,142	Dutch	Board member	independent

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



## Management of subsidiaries

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

## Code of Conduct

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

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

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

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

## Equality and diversity policy

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

The purpose of the equality policy is to prevent individuals from being chosen for certain teams solely/primarily due to their gender, or so that a group does not become single gendered. A candidate is appointed in accordance with the defined requirements profile. If two or more candidates are equally qualified, Sensys shall ensure that the company's teams are well balanced and that Sensys uses its employees' time and skills in a manner that benefits both operations and individual personal development. When appointing vacant positions, the company shall also strive to achieve the best possible age and ethnicity distribution. The aim is to strive for as even a distribution as possible of all work tasks in the workplace and to act to prevent gender division in different tasks and roles. During the year, the company's values and goals for this policy have been a clear and active part of all performance appraisals, salary negotiations and recruitment processes that have taken place, which has also been apparent in the outcome of the company's employee survey.

## REMUNERATION TO THE MANAGEMENT AND THE BOARD

### Guidelines for remuneration

Remuneration to the CEO and other group management consists of basic salary, variable remuneration, other benefits and pensions. The balance between basic salary

and variable remuneration is to be in proportion to the employee's responsibilities and authority. For the CEO, annual variable remuneration is capped at six months' salary. For other group management, annual variable remuneration is also capped at six months' salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for turnover, operating profit and the outcome of individual activity plans. These guidelines are also proposed for the coming year.

### Remuneration to the Members of the Board

Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on the committees. In 2017, remuneration was paid in accordance with note 2.

### Remuneration to the Auditors

In 2017 remuneration to the auditors was paid in accordance with note 22.

## INTERNAL CONTROL AND FINANCIAL REPORTING

The purpose of internal control is to create an effective decision-making process in which requirements, goals and frameworks are clearly defined. Ultimately, internal control is aimed at protecting the company's assets and thereby the shareholders' investment. The company also has a set of internal instructions, procedures, systems and responsibilities in place to improve internal control.

### Financial reporting to the Board

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

### Risk assessment

The financial risk assessment is mainly related to the potential for material misstatement in the reporting of the company's financial position and performance. To minimize these risks, governing documents have been established for accounting, procedures for annual reporting and follow-up of reported annual accounts. The financial reporting is managed through the Group's control structure. In addition, the management works continuously to identify and manage significant risks affecting the financial reporting. Further details about the company's risk management are provided under note 25.

### Control activities and follow-up

Control activities involve all levels of 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 ac-

tivities also include follow-up and comparisons of earnings and order intake, account reconciliations and balance as well as accounting and valuation principles.

The Company is subject to provisions of the EU's Market Abuse Regulation No. 596/2014 (MAR), putting great demands on the Company on how to handle inside information. In particular, MAR governs how insider information should be published to the market, the conditions under which publication may be postponed and in what way the company is required to keep a list of persons working for the company, having access to inside information concerning the company (so-called logbook).

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

### Activities in 2017

During the year, focus has been on continuing the internal control and on monthly and quarterly follow-up's, along with the implementation of process for transfer pricing, transfer policies and principles.

### Information and communication

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

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

### Shareholders

Sensys Gatso's shares have been listed on the Stockholm Stock Exchange since 2001. Sensys Gatso has a share capital of SEK 42.2 million. The number of outstanding shares in Sensys Gatso at year-end was 844,913,669 (657,155,077) and the number of shareholders totaled 21,012 (21,150). All shares carry the same voting rights and entitle the holder to the same share of the company's earnings and capital. As detailed on page 21, the company has one shareholder (Cooperatieve Centrale (Gatso Special Products BV)) with number of shares that exceeds 10 percent of the company's total number of shares. Also for 2016 Cooperatieve Centrale (Gatso Special Products BV) was the largest shareholder with 17.6 % of the total shares. For further information about the ownership structure, trading and share price movements, see page 21. The Articles of Association do not contain any conditions concerning voting right restrictions. There is no authorisation for repurchase of treasury shares.

### Articles of association

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

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

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



"Integrity for me is to be honest both towards myself as well as to others."

Helena Claesson, Managing Director,  
Sensys Gatso Sweden



# Board of Directors



**CLAES ÖDMAN**  
**CHAIRMAN OF THE BOARD**

Born: 1965

Board member since 2011.

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

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

Shareholding: 471,818 shares.



**JOCHEM GARRITSEN**  
**BOARD MEMBER**

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.

Shareholding: 32,142 shares.



**PIA HOFSTEDT**  
**BOARD MEMBER**

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 directorships: CEO Hofstedt Management & Consulting.

Shareholding: 128,570 shares.



**KERSTIN SJÖSTRAND**  
**BOARD MEMBER**

Born: 1958

Board member since 2016.

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

Background: Head of Business Support at SEB's Division Life and Investment Management. 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.

Shareholding: 28,542 shares.



**INGEMAR SKOGÖ**  
**BOARD MEMBER**

Born: 1949

Board member since 2011.

Education: MBA.

Background: Previously county governor of Västmanland and Director General of the Swedish Aviation Administration and Swedish Road Administration.

Other directorships: Fordonsforskning För Innovation, VINNOVA, SIDA, Socialstyrelsen, Teologiska Högskolan i Stockholm AB.

Shareholding: 97,138 shares.



**KATARINA STAAF**  
**BOARD MEMBER**

Born: 1967

Board member since 2016.

Education: Degree in Financial Economics, Gothenburg University.

Background: Executive Search Consultant at Poolia Executive Search. Former Head of Finance and Real Estate and member of Group committee at Riksbanken, CEO for Riksbanken BoSpar and CEO of Evli Funds AB and Portfolio Manager at Skandia and SEB.

Other directorships: Fund management Länsförsäkringar AB, Fast Partner AB (publ), Entra ASA and Staaf & Partners AB.

Shareholding: 60,000 shares.

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

**[www.sensysgatso.com](http://www.sensysgatso.com)**



# Senior executives

as per December 31, 2017



**IVO MÖNNINK**  
CEO, from October 2017

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 directorships; Chairman of the Board at EasyScan Holding B.V. Owner of, and Board member of Destro Management B.V.

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



**TIMO GATSONIDES**  
CTO

Born: 1973

Employed since 2015.

Education: Computer Science.

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

Shareholding: 149,040,980 shares\*.

\* indirect shareholding via a family holding company



**NIKI GATSONIDES**  
CFO, until 15 January 2018 when he became CEO of Sensys Gatso Netherlands

Born: 1974

Employed since 2015.

Education: MSc in Accounting & Auditing.

Background: Has previously worked as CFO of Sensys Gatso Group AB and GATSO.

Shareholding: 149,040,980 shares\*.

\* indirect shareholding via a family holding company



**BRAM MULDER**  
VP ENGINEERING, until 31 December 2017 when he became VP Engineering of Sensys Gatso Netherlands

Born: 1982.

Employed since 2001.

Education: Bachelor of Information and Communication Technology, Hogeschool van Amsterdam and MBA, Nyenrode Business Universiteit.

Background: Previously worked as Technology Director for GATSO.

Shareholding: 0 shares.



**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.

Shareholding: 45,000 shares.



**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.

Shareholding: 25,000 shares.

## New Senior executives, January 16, 2018

## Previous Senior executives during the year 2017

Torbjörn Sandberg,  
CEO,  
January - September 2017

Johan Frilund,  
EVP Corporate Development,  
January - August 2017

Bengt Rosengren,  
EVP Operations and Supply,  
January - September 2017

# Group

## Statement of Income and other comprehensive income

TSEK	Note	2017	2016
Net sales	1, 3	293,094	436,607
Cost of goods sold		-176,910	-289,722
<b>Gross profit</b>		<b>116,184</b>	<b>146,885</b>
Selling costs		-83,528	-86,462
Administrative costs		-40,266	-43,801
Development costs		-47,105	-50,874
Reversal of contingent consideration	20	0	11,927
Other operating costs		-49	-916
<b>Operating profit/loss</b>	<b>2, 4, 6, 7</b>	<b>-54,764</b>	<b>-23,241</b>
<b>Profit/loss from financial investments</b>	<b>8</b>		
Interest income/foreign exchange gains		7,845	7,396
Interest expense/foreign exchange loss		-18,297	-14,120
<b>Profit/loss before tax</b>		<b>-65,316</b>	<b>-29,965</b>
Income tax for the year	5, 11	3,470	5,581
<b>Profit or loss for the year</b>	<b>7, 47</b>	<b>-61,846</b>	<b>-24,384</b>
Profit attributable to owners of Sensys Gatso Group AB		-58,067	-21,971
Profit attributable to non-controlling interest		-3,779	-2,413
		<b>-61,846</b>	<b>-24,384</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified to profit or loss			
Translation differences		-3,041	23,655
Total other comprehensive income for the period, net after taxes		-3,041	23,655
<b>Total comprehensive income for the period</b>		<b>-64,887</b>	<b>-729</b>
Total comprehensive income attributable to owners of Sensys Gatso Group AB		-60 569	1,133
Total comprehensive income attributable to non-controlling interest		-4 318	-1,862
		<b>-64 887</b>	<b>-729</b>
Earnings per share before dilution		-0.07	-0.04
Earnings per share after dilution		-0.07	-0.04
Proposed dividend per share		0	0
Average number of outstanding shares before dilution, thousands		844,914	657,155
Average number of outstanding shares after dilution, thousands		844,914	657,155
Number of outstanding shares, thousands		673,102	657,155



# Group

## Balance Sheet

TSEK	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
INTANGIBLE NONCURRENT ASSETS	9		
Goodwill		239,166	239,302
Brand		16,191	18,423
Customer Contracts and relations		35,459	53,248
Product and software development		38,879	43,578
		<b>329,695</b>	<b>354,551</b>
FIXED ASSETS	10		
Leasehold improvement		2,105	2,252
Furnitures, fixtures, etc		5,139	6,595
Fixed assets in operation		27,856	34,117
		<b>35,100</b>	<b>42,964</b>
OTHER NONCURRENT ASSETS			
Deferred tax assets	11	38,439	51,747
Other noncurrent assets		361	373
		<b>38,800</b>	<b>52,120</b>
<b>TOTAL NONCURRENT ASSETS</b>		<b>403,596</b>	<b>449,635</b>
INVENTORIES	12		
Raw materials and consumables		3,328	12,852
Production in progress		12,415	2,354
Finished products and goods for resale		46,767	31,300
		<b>62,510</b>	<b>46,506</b>
Trade receivables	13	71,322	62,821
Current tax assets		9,429	1,461
Other receivables		2,304	2,967
Prepaid expenses and accrued income	14	16,176	14,450
		<b>99,231</b>	<b>81,699</b>
CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	58,931	31,643
		58,931	31,643
<b>TOTAL CURRENT ASSETS</b>		<b>220,672</b>	<b>159,848</b>
<b>TOTAL ASSETS</b>	<b>16</b>	<b>624,267</b>	<b>609,483</b>

# Group

## Balance Sheet

TSEK	Note	31 Dec 2017	31 Dec 2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	34		
Share capital		42,246	32,858
Other contributed capital		405,848	316,900
Other reserves		9,079	11,581
Retained earnings incl net profit for the year		-38,400	19,667
		<b>418,773</b>	<b>381,006</b>
Non-controlling interest		1,299	5,617
TOTAL SHAREHOLDERS' EQUITY		420,072	386,623
<b>LIABILITIES</b>			
NON CURRENT LIABILITIES	15, 16		
Borrowings		252	434
Other provisions	19	3,664	3,694
Deferred tax liabilities	17	23,226	32,058
Liabilities to shareholders	14, 16, 18	55,908	79,839
		<b>83,050</b>	<b>116,025</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	15, 16	10,200	18,901
Liabilities to shareholders	16, 18	15,993	0
Liabilities to customers		21,309	13,257
Other provisions	19	4,061	5,773
Trade payables		30,692	21,077
Other liabilities		6,866	12,153
Current tax liabilities		75	0
Accrued expenses and deferred income	20	31,949	35,674
		<b>121,145</b>	<b>106,835</b>
TOTAL LIABILITIES		204,195	222,860
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>16</b>	<b>624,267</b>	<b>609,483</b>



# Group

## Statement of Changes in Shareholders' equity

	Share capital	Other contributed capital	Translation differences	Retained earnings	Non-controlling interest	Total shareholders' equity
<b>Shareholders' equity 1 Jan 2016</b>	32,858	316,900	-11,523	41,638	7,479	387,352
Net profit of the year				-21,971	-2,413	-24,384
Other comprehensive income			23,104		551	23,655
<b>Shareholders' equity 1 Jan 2017</b>	32,858	316,900	11,581	19,667	5,617	386,623
Net profit of the year				-58,067	-3,779	-61,846
New share issue	9,388	93,879				103,267
Share issue costs		-4,931				-4,931
Other comprehensive income			-2,502		-539	-3,041
<b>Shareholders' equity 31 Dec 2017</b>	42,246	405,848	9,079	-38,400	1,299	420,072

# Group

## Cash Flow

TSEK	31 Dec 2017	31 Dec 2016
<b>Operating activities</b>		
<b>Operating profit/loss</b>	<b>-54,764</b>	<b>-23,241</b>
<b>Adjustments for non-cash items</b>		
Depreciation and amortisation	38,900	48,588
Reversal of contingent consideration	0	-11,926
Release of warranty provision	-1,742	-4,649
Other non cash items*	3,267	-3,042
<b>Adjustments for non-cash items</b>	<b>-14,339</b>	<b>5,730</b>
Interest received	0	0
Interest paid	-4,754	-4,518
Exchange rate effects	4,648	8,381
Income taxes paid	766	-7,861
<b>Cash flow from operating activities before changes in working capital</b>	<b>-13,679</b>	<b>1,732</b>
<b>Cash flow from changes in working capital</b>		
Trade receivables	-13,489	69,683
Inventories	-17,873	28,928
Trade payables	9,618	-35,324
Other changes in working capital	-3,827	23,399
<b>Cash flow from operating activities</b>	<b>-39,250</b>	<b>88,418</b>
<b>Investing activities</b>		
Acquisition of intangible assets	-4,392	-2,428
Investment in tangible assets	-8,611	-16,184
<b>Cash flow from investing activities</b>	<b>-13,003</b>	<b>-18,612</b>
<b>Financing activities</b>		
Loans received	0	493
Share issue	92,130	0
Costs for share issue	-4,931	0
Repayments of leases and loans	-18,896	-66,686
Usage/Repayment of credit facilities	10,049	-42,743
<b>Cash flow from financing activities</b>	<b>78,352</b>	<b>-108,936</b>
<b>Cash flow for the year</b>	<b>26,099</b>	<b>-39,130</b>
Cash and cash equivalents at beginning of the year	31,643	76,189
Translation on liquid funds	1,189	-5,416
<b>Cash and cash equivalents at end of the year</b>	<b>58,931</b>	<b>31,643</b>

\*The Other non cash items include a provision on a customer receivable to the amount of SEK 9.9 million





# 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 RFR 2 - Accounting for Legal Entities and the accounting policies adopted are consistent with those of the previous financial year as presented in the 2016 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. Acquisition-related costs are expensed as incurred. Contingent considerations are recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Inter-company transactions, balances and unrealised 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 recognises 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 recognised amounts of acquiree's identifiable net assets.

### Inter-company sales

Inter-company sales are eliminated in the consolidated accounts.

## TRANSLATION OF FOREIGN CURRENCIES

### Functional currency and presentation currency

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

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

### Transactions and balance-sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange-rate differences attributable to operating activities are recognised in operating profit, while exchange-rate differences attributable to the Group's financing are recognised 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 recognised as a separate component of equity.

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



## REVENUE RECOGNITION

### Goods

Income consists mainly of sales of goods. Income from the sale of goods is recognised upon delivery to and acceptance by the customer, in accordance with the terms and conditions of sale. Income comprises the fair value of goods sold, exclusive of VAT and any discounts or rebates.

For specific customer contracts, the company applies the percentage of completion method to determine the amount to be recognised in each period. The degree of completion is defined as project costs paid for work performed by the end of the reporting period as a percentage of estimated total project costs for each project. Expenditures which have been incurred during the year but which relates to future work is not included in project costs paid at the time of determining the degree of completion. During 2016 and 2017 no such project has been executed.

### Services

The Group's service organisation installs, commissions and maintains traffic enforcement systems and conducts services and provides support to our customers abroad. Revenue from these services is recognised on an ongoing basis as the services are carried out.

### Other operating income

Revenue from activities outside the Group's primary operations has been recognised as Other operating income.

### Interest income

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

### Dividend income

Income from dividends is recognised when the right to receive payment has been determined. No dividend has been allocated for 2017 or 2016.

## TRANSFER PRICING

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

## EMPLOYEE BENEFITS

### Pension commitments

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

### Retirement contribution obligations

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

## Share-based payments

The Company has during 2017 established a long term incentive program for the CEO Ivo Mönnink.

The CEO will, under the program, be granted, free of charge, options 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 is SEK 0.81 corresponding to 130 percent of the volume weighted average price of the Company's shares on Nasdaq Stockholm for the period from and including 28 September 2017 to and including 11 October 2017. The maximum number of shares that may be issued pursuant to an exercise of options under the program is 7,980,000 shares (including exercise of warrants for hedging of social security costs), corresponding to a maximum dilution of approximately 1.2 percent.

During 2017 the value of this benefit has been SEK 16,458 which has been charged towards share capital.

## 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 are capitalised as intangible assets. All other research and development expenditure is recognised 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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease term (net of any incentives received from the lessor) are expensed in profit or loss on a straight-line basis.

## BORROWING COSTS

The Group capitalises 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 recognised 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 realised or the deferred tax liability is settled. In the case of items recognised in profit

or loss, related tax effects are also recognised in profit or loss. The tax effects of items that are recognised directly in shareholders' equity are also recognised 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 recognised 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 recognised 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 recognised cash flow includes only those transactions that have resulted in receipts or payments.

Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. In both 2017 and 2016, cash and cash equivalents were comprised solely of cash and bank balances.

## 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.

## INTANGIBLE 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 recognised as an intangible asset. Goodwill is tested annually to identify any need for impairment and is recognised 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 relations

This item includes customer contracts that arose in connection with the acquisition of Gatso Beheer BV in 2015. These contracts are operated under the segment Managed Services, and focuses on large and smaller managed 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 recognised 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 recognised in the income statement. Product and software development is amortised over 3-4 years.

## Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to amortisation and, instead, are tested annually for impairment. Assets that are subject to amortisation 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).

## 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	7 years
» Customer contracts	2-7 years
» Brand	10 years
» Product and software development	3-4 years



## INVENTORIES

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

## FINANCIAL INSTRUMENTS

Financial assets reported in the balance sheet include trade receivables, other receivables and cash and cash equivalents. These are accounted for as current assets with the exception of items maturing later than 12 months from the balance sheet date, which are classified as non-current assets. The fair value of financial assets and liabilities is the carrying amount, unless otherwise specified.

### Receivables and other receivables

Trade and other receivables are recognised at cost, less any provision for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivables. Significant financial difficulties on the part of the debtor, the probability that the debtor will enter into receivership or undergo financial reconstruction and default, or late payments, are considered indicators that an impairment provision for trade receivables may be required. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows. The carrying amount of the asset is reduced using an impairment allowance account and the loss is recognised in profit or loss under Sales expenses. Recoveries of amounts previously written off are credited against Sales expenses in profit or loss.

### Trade and other payables

Financial liabilities are initially recognised at fair value, net of transaction costs, and subsequently at amortised cost. The financial liabilities category comprises the items borrowing, trade payables and other liabilities. Trade payables with a short expected maturity are stated at their nominal value and are not discounted. Liabilities in foreign currencies are translated at the balance sheet date.

Purchase and sales of financial instruments are recognised at the transaction date, i.e. the date when the company undertakes to buy or sell the asset.

Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been assigned to another party and the company has transferred essentially all risks and benefits associated with ownership.

## SHAREHOLDERS' EQUITY

Transaction costs which are directly applicable to the issue of new shares or share options are recognised, 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 recognised as liabilities in the Group's annual accounts in the period in which the dividends were adopted by the Parent Company's shareholders. No dividend has been allocated for 2017.

## PROVISIONS

Provisions for product warranties and legal demands are recognised when the company has a legal, contractual or informal obligation as a consequence of past events, it is more probable than not that a payment will be required in order to fulfil the obligation and the amount can be reliably estimated. If the company has several similar obligations the probability that a payment will be required upon settlement is assessed jointly for this group of obligations. The balance sheet contains provisions related to warranties. Provisions are reviewed at each financial year-end.

## 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).

## Provision

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. If warranty claims would increase by 10% in relation to estimate, the cost for warranty claims would increase by TSEK 772 (947) in 2017.

## Deferred tax assets

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

## Inventory

Inventory are valued at the lower of cost and net realisable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realisable 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 recognised 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 recognised in the items "Income from participations in Group companies".

## APPLICATION OF NEW OR AMENDED STANDARDS

### New standards, amendments and interpretations adopted by the Group

No new or amended standards which are effective for the financial year beginning on 1 January 2017 have had an impact on the Group.

### New standards, amendments and interpretations applicable from January 1, 2018

IFRS 15 "Revenue from contracts with customers" introduces new requirements for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations.

The new standard provides more detailed guidance in many areas not previously covered by the applicable IFRS, including recognition procedures for contracts with one or more parts, variable pricing, customers' right of return, etc. The standard has been adopted by the EU. The standard will be applied from the 2018 financial year.

In 2017, workshops were held and an investigation conducted to identify potential differences between the existing accounting policies and IFRS 15.

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

Following this analysis, the assessment is that no material differences exist between the currently applicable accounting policies and guidance pertaining to identification of the performance obligations of the contract and allocation of the transaction price in IFRS 15. As with the existing policies, sales of products will be recognised when the transfer of risk under the contract has been effected which, according to the analysis performed, also meets the criteria for the transfer of control under IFRS 15.

Accordingly, the final assessment is that the introduction of IFRS 15 will have no material effect on the Group's financial position. The Group has elected to apply the modified transitional method for the application of IFRS 15 from 1 January 2018. This will only impact the disclosure requirements that have to be met.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there is no significant change to classification and measurement. Hedge accounting rules are modified. The standard is effective for annual periods beginning on or after January 1, 2018, but comparative periods will not be restated. IFRS 9 will not have a significant impact on the financial reports in the Group.

### New standards, amendments and interpretations not yet adopted

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right of use assets and corresponding lease liabilities. Compared with the existing accounting for operating leases, it will also impact the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. A key aspect being considered in Sensys Gatso's review of the new standard is whether to apply any transitional options such as the modified retrospective approach, which would mean that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information.



# Notes on the accounts, Group

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

## Note 1 Segment reporting and total sales

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

### System Sales

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

### Managed Service

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

TSEK	System Sales		Managed service		Total Sales	
	2017	2016	2017	2016	2017	2016
<b>Net sales and income</b>						
Net sales per business segment	242,082	372,265	55,709	66,569	297,791	438,834
(of which is inter-segment transactions)	-4,340	-1,938	-357	-289	-4,697	-2,227
<b>EBITDA</b>	<b>-25,746</b>	<b>13,329</b>	<b>9,883</b>	<b>12,018</b>	<b>-15,863</b>	<b>25,347</b>
Depreciation and amortisation	-9,327	-18,841	-29,574	-29,747	-38,901	-48,588
<b>Operating profit</b>	<b>-35,073</b>	<b>-5,512</b>	<b>-19,691</b>	<b>-17,729</b>	<b>-54,764</b>	<b>-23,241</b>
Net financial items					-10,552	-6,724
<b>Profit before tax</b>					<b>-65,316</b>	<b>-29,965</b>
Tax					3,470	5,581
<b>Net profit for the year</b>					<b>-61,846</b>	<b>-24,384</b>

In 2017, the Group had one customer in the segment System Sales whose share of the company's total net sales exceeded 10 percent.  
In 2016, the Group had two customer whose share of the company's total net sales exceeded 10 percent.

## Note 2 Salaries, other remuneration and social insurance contributions

	2017	2016	Men 2017	Men 2016
Number of employees at year-end				
Holland	69	79	90%	86%
Amsterdam	6	0	100%	0%
Australia	20	22	85%	91%
Germany	5	4	100%	100%
USA	32	32	49%	49%
Sweden	34	0	88%	0%
Sensys Gatso Group AB	1	32	100%	91%
<b>Group Total</b>	<b>167</b>	<b>169</b>		

	2017	2016	Men 2017	Men 2016
Board members and group management, Group				
Board members	6	6	50%	50%
CEO and other group management	4	8	100%	100%

	Salaries and other remunerations		Social securities and contributions		Where of being Pension	
	2017	2016	2017	2016	2017	2016
Parent Company	4,402	28,737	2,071	13,971	623	5,370
Subsidiaries	99,369	88,252	22,593	14,419	9,204	5,965
<b>Group</b>	<b>103,771</b>	<b>116,989</b>	<b>24,664</b>	<b>28,390</b>	<b>9,827</b>	<b>11,335</b>

Remuneration of the Board of Directors, the CEO and other senior executives	Basic Salary Board Fee		Variable Remuneration		Other benefits		Pension Expenses		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Parent Company</b>										
Chairman of the Board, Claes Ödman	300	300	0	0	0	0	0	0	300	300
Board member, Katarina Staaf	175	175	0	0	0	0	0	0	175	175
Board member, Kerstin Sjöstrand	175	175	0	0	0	0	0	0	175	175
Board member, Pia Hofstedt	175	175	0	0	0	0	0	0	175	175
Board member, Jochem Garritsen	175	175	0	0	0	0	0	0	175	175
Board member, Ingemar Skogö	175	175	0	0	0	0	0	0	175	175
<b>Remuneration and other benefits for Group Management</b>										
Managing Director and CEO, Torbjörn Sandberg (Jan - Sept)	1,464	1,952	480	480	68	90	498	653	2,510	3,175
Managing Director and CEO, Ivo Mönnink (Oct - Dec)	598	0	0	0	48	0	180	0	826	0
Other senior management (3 individuals 2017, 7 individuals 2016)	7,950	12,139	420	2,494	74	318	67	622	8,511	15,508

## VARIABLE REMUNERATION, PARENT COMPANY

### Variable remuneration for the CEO

The agreement for the CEO applies since 2017. The variable remuneration is based on net sales and EBITDA, and is subject to an upper limit of TSEK 960.

Remuneration of TSEK 480 (480) has been paid out during 2017.

### Agreements regarding severance pay

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

In 2017 a severance payment of 6 months salary has been provisioned for the former CEO.

### Other group executives

In December 2017 other senior executives included Niki Gatsonides, Timo Gatsonides, and Bram Mulder.

### Variable remuneration for group executives and management

The agreement for the senior executives and management team applies since 2017. The variable remuneration is based on individual performance and is subject to an upper limit of 6 months salaries. Remuneration of TSEK 420 (2,494) has been paid out during 2017.

## VARIABLE REMUNERATION IN SUBSIDIARIES

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

## Variable remuneration for employees

For subsidiaries in Netherlands, USA, Australia, and Germany a variable remuneration to an upper limit of 1% of the net result (after taxation) or between 0 and 3 months salary depending on performance on individual basis.

For subsidiary in Sweden an agreement has been in force since 2009, and entitles employees to a bonus defined as the lower of:

(i) 5 percent of net earnings for the current year, subject to a limit of MSEK 3.

(ii) An amount corresponding to two months' salaries for bonus-entitled staff at the end of the bonus year.

Variable remuneration is paid in the year after the financial year. Variable remuneration in 2017 totalled TSEK 0 (0).

## LONG TERM INCENTIVE PROGRAM FOR THE CEO

The Company has during 2017 established a long term incentive program for the CEO Ivo Mönnink.

The CEO will, under the program, be granted, free of charge, options 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 is SEK 0.81 corresponding to 130 percent of the volume weighted average price of the Company's shares on Nasdaq Stockholm for the period from and including 28 September 2017 to and including 11 October 2017. The maximum number of shares that may be issued pursuant to an exercise of options under the program is 7,980,000 shares (including exercise of warrants for hedging of social security costs), corresponding to a maximum dilution of approximately 1.2 percent.

During 2017 the value of this benefit has been SEK 16,458 which has been charged towards share capital.

## Note 3 Total sales

Net sales by region	2017	2016
Netherlands	37,867	30,654
Australia	32,111	61,362
Sweden	52,976	62,802
Rest of Europe	88,169	81,063
USA	55,072	67,481
Middle East and Africa	13,845	106,915
Rest of the world	13,054	26,328
<b>Total</b>	<b>293,094</b>	<b>436,607</b>

The revenues from external customers have been attributed to the countries based on the country of the end-customer.

Non-current assets (excluding financial instrument and deferred tax)	2017	2016
Sweden	286,426	313,291
Non-Sweden	78,730	84,597
<b>Total</b>	<b>365,156</b>	<b>397,888</b>

Nature of services	2017	2016
System sales	163,418	308,634
Service and maintenance	68,050	57,695
Licences	6,274	3,997
Managed services	55,352	66,281
<b>Total</b>	<b>293,094</b>	<b>436,607</b>

As from January 2016 the Group has started reporting by segments. The two segments being System Sales and Managed Services.

## Note 4 Expenses by nature of expense

	2017	2016
Raw materials and consumables used	107,763	191,681
Depreciation and amortisation	38,901	48,588
Employee benefits and expenses	136,186	160,236
Accommodation expenses	11,691	12,395
Marketing expenses	17,947	16,191
Transportation costs	3,896	3,792
Office expenses	7,171	8,043
External Services	10,064	16,144
General expenses	6,961	10,782
Release of cont. Liability	0	-11,926
Development	5,837	3,922
Other costs	1,452	
<b>Total</b>	<b>347,869</b>	<b>459,848</b>

## Note 5 Taxes

	2017	2016
Current tax	-6,400	-223
Deferred tax	2,931	5,804
<b>Total</b>	<b>-3,470</b>	<b>5,581</b>
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	-65,316	-29,965
Tax at applicatbel rate	-16,349	3,823
Income tax credit for R&D	-1,092	-866
Tax effect of non-deductible expenses	92	-185
Tax previous years	-742	2,809
Utilisation of deferred taxes	8,224	0
Effects on non recognized tax assets regarding losses carry forward	4,109	0
Effects of foreign tax rates	2,289	0
<b>Tax on profit/loss for the year in accordance with income statement</b>	<b>-3,470</b>	<b>5,581</b>



## Note 6 Depreciation/amortisation

Amortisation of intangible assets was MSEK 34.1 and depreciation of property, plant and equipment totalled MSEK 14.4. Impairment amounted to MSEK 0. Depreciation/amortisation and impairment are specified per function in the income statement as follows:

	Cost of goods sold		Selling costs		Administrative costs		Development costs		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Customer contracts	0	-	13,556	23,094	0	-	0	-	13,556	23,094
Brand	0	-	2,127	2,097	0	-	0	-	2,127	2,097
Other intangible assets	0	24	6,038	6,507	1,018	483	2,967	2,096	10,023	8,959
Improvement expenses leasehold	0	51	0	109	104	19	0	19	104	198
Furniture, Fixtures, Fittings and vehicles	301	737	717	342	347	507	325	173	1,695	1,759
Fixed Assets in operation	11,200	8,832	0	1,302	0	1,001	202	1,346	11,402	12,481
<b>Total Depreciation and Amortisation</b>	<b>11,501</b>	<b>9,643</b>	<b>22,438</b>	<b>33,451</b>	<b>1,469</b>	<b>2,011</b>	<b>3,494</b>	<b>3,634</b>	<b>38,907</b>	<b>48,588</b>

## Note 7 Operational leasing arrangements

The Group has entered into the following operating leases:

	Machines, plant and equipment		Premises	
	2017	2016	2017	2016
Lease payments for the year	2,321	2,390	10,017	8,147
Minimum lease payments falling due within 1 year	1,589	1,897	8,776	6,979
Minimum lease payments falling due within 1-5 years	1,574	1,259	19,473	15,293
Minimum lease payments falling due later than 5 years	0	0	6,228	7,800

Leases for machines, plant and equipment concern photocopy machines and motor vehicles. There are no variable charges.

## Note 8 Profit/loss from financial activities

Interest and similar profit/loss items	2017	2016
Interest income on bank deposits	0	6
Exchange rate gains on bank deposits or other loans	7,728	6,951
Other financial income	117	439
<b>Total financial income</b>	<b>7,845</b>	<b>7,396</b>
Interest expense on financial liabilities	2017	2016
Interest expense on loans	4,833	-4,921
Exchange rate losses on bank deposits or other loans	13,445	-9,158
Other financial expenses	19	-41
<b>Total financial costs</b>	<b>18,297</b>	<b>-14,120</b>

## Note 9 Intangible fixed assets

Consolidated Intangible fixed assets	Goodwill		Brand		Customer contract		Product & software development	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Opening accumulated acquisition value</b>	<b>239,302</b>	<b>226,340</b>	<b>21,469</b>	<b>20,730</b>	<b>93,788</b>	<b>89,571</b>	<b>63,070</b>	<b>58,786</b>
Internal development	-	-	0	-	0	-	3,977	2,428
Disposals	-	-	0	-	0	-	0	-
Translation effects	-136	12,962	-97	739	-3,700	4,217	1,487	1,856
<b>Closing accumulated acquisition value</b>	<b>239,166</b>	<b>239,302</b>	<b>21,372</b>	<b>21,469</b>	<b>90,088</b>	<b>93,788</b>	<b>68,534</b>	<b>63,070</b>
Opening accumulated amortisation	-	-	-3,046	-858	-40,540	-15,791	-19,492	-9,920
Amortisation for the period	-	-	-2,127	-2,150	-13,559	-24,169	-10,023	-9,085
Translation effect	-	-	-8	-38	-529	-580	-141	-487
<b>Closing accumulated amortisation</b>	<b>-</b>	<b>-</b>	<b>-5,181</b>	<b>-3,046</b>	<b>54,628</b>	<b>-40,540</b>	<b>-29,654</b>	<b>-19,492</b>
<b>Opening accumulated impairment</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>Closing accumulated impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Translation effects</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>Carrying amount</b>	<b>239,166</b>	<b>239,302</b>	<b>16,191</b>	<b>18,423</b>	<b>35,459</b>	<b>53,248</b>	<b>38,879</b>	<b>43,578</b>

### Goodwill

Goodwill is not subject to amortisation but is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be subject to impairment. For the purpose of assessing impairment, goodwill is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The Group performed a test for each cash generating unit (CGU), to assess whether any need for impairment exists for goodwill in line with the applied accounting policies. The Group reports in two business segments, System Sales and Managed Service. These segments represent the cash generating units.

The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future cash-flows expected to arise from the CGU, including capital expenditures and

investment in working capital, to arrive at free cash flow forecasts for each unit.

The model includes actual financial figures for 2017 as a reference and uses budgets for 2018 for each unit, approved by the board of directors, as a starting point. The calculations assume estimated future cash flows based on financial forecasts of five-years. Cash flows beyond the five-year period are extrapolated based on the long-term growth, estimated at 2%, in line with the inflation rate.

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

## SIGNIFICANT ASSUMPTIONS

### Market share and growth

The forecasts are based on the company history and previous management experience, as well as external sources like the "MarketsandMarkets" report on Road safety market, press releases and investor presentations from competition. The growth estimated by "MarketsandMarkets" for services, relating to our segment Managed Services, amounts to 11.5%.

### System Sales

The revenue in the segment System Sales is volatile during the quarters and over years. In the forecast for this segment management did not project this volatility, but instead projected growth at 3 to 5 percent as an average over the years, with 2016 as a baseline. The growth estimated by MarketsandMarkets is 7.7% for solutions which is the main offering in this segment with our current product portfolio.

The EBITDA is expected improve over the projected years as a result of the effects of the transformation program and expected further integration of the company's product and solution offerings. After the transformation program and further integration, the current organisation is expected to be big enough to facilitate the projected growth in sales. The total expenses are estimated to be stable and will grow in line with long-term growth between 1 and 2 percent. The EBITDA margin is expected to growth to approximately 10% over the forecasted period.

### 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 long-term growth after these five years is estimated on a 2 percent which is in line with inflation. The estimation of net cash flow in this CGU will be in line with the growth of revenue.

The CoGs will grow with the same pace as the revenue. As the current organisation is big enough to facilitate the growth, resulting in a EBITDA growth which is forecasted to be in line with revenue growth. The years thereafter a growth of EBITDA is forecasted as Sensys gatso expects a higher leverage on the organisational expenses.

### Exchange rates

The results of the Sensys Gatso Group are influenced by exchange rate fluctuations. As set out in note 25 of this report, the largest exposure to changes in currency is with EUR/SEK and USD/SEK exchange rate. The exchange-rates used for these main currencies in the forecast are EUR 9.50 and USD 8.64.

### 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 combination of an adjusted WACC and 0% long-term growth has a small indication of a possible impairment in the segment System Sales. This scenario however, lower growth with higher returns on invested capital, does not seem very likely. As predicting revenue in a volatile market is challenging, Sensys Gatso has been prudent in applying growth of revenues in the forecast of this segment. This has resulted in an indication of a possible impairment for the segment when adjusting EBITDA in combination with forecasted growth.

The recoverable amount exceeds the carrying amounts 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	2017	2016
System Sales	161,502	157,639
Managed Services	77,664	81,663
<b>Total</b>	<b>239,166</b>	<b>239,302</b>

The movement between segments from 2016 and 2017 relates to currency eccects.

## Note 10 Fixed Assets

	Leasehold improvement		Furnitures, fixtures, etc		Fixed Assets in operation	
	2017	2016	2017	2016	2017	2016
<b>Opening accumulated acquisition value</b>	<b>16,191</b>	<b>15,224</b>	<b>25,420</b>	<b>19,135</b>	<b>123,024</b>	<b>107,914</b>
Acquisitions	20	240	1,076	5,628	7,515	10,316
Disposals	0	-	-1,715	-1,606	-2,332	-115
Movements between categories	0	-	3,133	-	-3,133	-
Translation effects	368	727	-399	2,263	-7,902	4,909
<b>Closing accumulated acquisition value</b>	<b>16,579</b>	<b>16,191</b>	<b>27,515</b>	<b>25,420</b>	<b>117,172</b>	<b>123,024</b>
<b>Opening accumulated depreciation</b>	<b>-13,986</b>	<b>-13,165</b>	<b>-17,555</b>	<b>-14,705</b>	<b>-85,245</b>	<b>-71,110</b>
Disposals	0	-	742	444	-462	53
Depreciation for the period	-143	-196	-1,411	-2,134	-11,389	-11,791
Movements between categories	0	-	-2,525	-	2,525	-
Translation effects	-344	-625	216	-1,160	8,568	-2,397
<b>Closing accumulated depreciation</b>	<b>-14,473</b>	<b>-13,986</b>	<b>-20,533</b>	<b>-17,555</b>	<b>-86,003</b>	<b>-85,245</b>
<b>Opening accumulated impairment</b>	<b>0</b>	<b>-</b>	<b>-1,270</b>	<b>-1,270</b>	<b>-3,662</b>	<b>-3,662</b>
Translation effects	0	-	-573	-	349	-
Disposals	0	-	0	-	0	-
<b>Closing accumulated impairment</b>	<b>0</b>	<b>-</b>	<b>-1,843</b>	<b>-1,270</b>	<b>-3,313</b>	<b>-3,662</b>
Translation effects	0	50	-	-	-	-
<b>Carrying amount</b>	<b>2,105</b>	<b>2,252</b>	<b>5,139</b>	<b>6,595</b>	<b>27,857</b>	<b>34,117</b>

## Note 11 Deferred tax

	2017	2016
Deferred tax recoverable		
Opening deferred tax recoverable	51,744	53,200
Utilization of deferred tax	-3,900	-3,844
Effect of change in tax rate	-5,801	0
Translation effects	-3,606	2,391
<b>Total deferred tax assets</b>	<b>38,440</b>	<b>51,747</b>

The deferred tax assets can be specified as follows:

	2017	2016
Other	1,535	0
Inventory	2,984	2,984
Loss carried forward	33,921	48,763
<b>Total</b>	<b>38,440</b>	<b>51,747</b>



Deferred tax liabilities	2017	2016
Opening deferred tax liability	32,058	39,156
Release relating to depreciation on intangible fixed assets	-7,387	-9,648
Effect of change in tax rate	-3,541	0
Temporary difference accelerated depreciation fixed assets	3,719	0
Translation effects	-1,623	2,550
<b>Closing deferred tax liabilities</b>	<b>23,226</b>	<b>32,058</b>

#### 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 process in order to verify the value of the deferred tax assets. Furthermore, there are also verifiable circumstances in the form of the current order backlog and agreements with customers as underlying information to the budget process. These budgeted numbers of future turnover and profit is matched towards the tax assets in order to measure the number of profitable years needed for usage of the total value of the tax assets.

As per December 2017, the Parent company Sensys Gatso Group AB had total estimated unutilised tax losses of TSEK 160,613 (146,212). Approximately SEK 95.9 million has been accounted for in the deferred tax asset to the amount of SEK 21.1 (24.1) million. The parent company has been loss making in 2016 and 2017, which could indicate a possible impairment. However, it is important to stress that the results from 2016 have been influenced by one off costs relating to the transformation program and that costs were further scrutinized, resulting in a cost reduction as of the fourth quarter of 2017.

Based on future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands. Furthermore, management expects Sensys Gatso

Sweden AB to contribute to the future profits by entries in to new markets and a broader product range that can be offered to existing customer relations. Based on these assumptions management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilized in future.

In the US Sensys Gatso has recognized a deferred tax assets for operating losses which can be utilized with future profits. The total unutilized tax losses amount to SEK 46.8 million. Based on the current estimated tax profits the company expects to utilize the total expected unutilized tax losses before expiration.

During the year changes in US tax policies have resulted in a change in federal tax rate. The US Tax reform resulted in a lower federal tax rate of 21 percent compared to 35 percent. As a result of this we have revaluated our deferred tax assets and liabilities relating to our US Operation. The overall effect to the income statement due to the US Tax reform amounted to a loss of SEK 2.2 million.

Due to changes in tax positions in the US a temporary difference relating to future tax deductions has been disposed from the deferred tax position. The overall effect to the income statement due to these changes in tax positions amounted to a loss of SEK 3.8 million.

Furthermore a deferred tax assets was recognized relating to our Australian subsidiary for temporary differences to the amount of SEK 1.1 million.

## Note 12 Inventories

	2017	2016
Opening	55,243	83,942
Movement in inventory	15,977	-28,801
Translation effects	867	102
	<b>72,087</b>	<b>55,243</b>
Change in provision for doubtful inventory	2017	2016
Opening provision	-8,737	-8,508
Addition	-607	-229
Translation effects	-232	-
Closing provision	-9,576	-8,737
<b>Carrying amount</b>	<b>62,511</b>	<b>46,506</b>

## Note 13 Trade receivables

Age structure of outstanding trade receivables	2017	2016
Trade receivables not yet due	52,171	51,177
Trade receivables past due but not impaired:		
< 3 months	13,206	4,068
3-12 months	5,356	5,347
>12 months	589	2,229
	<b>71,322</b>	<b>62,821</b>
Trade receivables past due and impaired	2017	2016
< 3 months	692	0
3-12 months	3,246	3,440
>12 months	21,406	20,963
Provision for doubtful trade receivables	-25,344	-24,403
<b>Carrying amount</b>	<b>71,321</b>	<b>62,821</b>
Change in provision for doubtful trade receivables	2017	2016
Opening provision	-24,403	-22,033
Acquisitions (-)/Sales (+)	0	0
Confirmed losses	8,232	1,216
Reversed, unutilised provisions	2,867	0
Provision for the year	-12,906	-4,479
Translation effects	866	893
Closing provision	<b>-25,344</b>	<b>-24,403</b>

## Note 14 Prepaid expenses and accrued income

	2017	2016
Prepaid lease payments	234	1,260
Prepaid rent	1,381	1,123
Prepaid deposit	1,041	268
Personel related prepayments	16	211
Accrued income	11,812	10,852
Other items	1,691	736
<b>Total</b>	<b>16,176</b>	<b>14,450</b>

## Note 15 Bank overdraft facilities and other borrowing

Agreed bank overdraft facilities at year end amounted to MSEK 78.7 for the group whereof MSEK 25.0 for the Parent Company.

The Group's interest-bearing borrowings	2017	2016
Due dates for long-term loans:		
Within one year	26,193	18,901
Between one and five years	56,160	72,293
More than five years	0	7,980
<b>Total</b>	<b>82,353</b>	<b>99,174</b>
Short-term borrowings, SEK	0	18,750
Short-term borrowings, EUR	20,019	0
Short-term borrowings, USD	6,174	151
Short-term borrowings, AUD	0	0
<b>Total</b>	<b>26,193</b>	<b>18,901</b>
Long-term borrowings, SEK	0	0
Long-term borrowings, EUR	55,908	79,839
Long-term borrowings, USD	252	434
Long-term borrowings, AUD	0	0
<b>Total</b>	<b>56,160</b>	<b>80,273</b>
Of which longer than 5 years, EUR	0	7,980

## Note 16 Financial instruments

	Loans and receivables	
	2017	2016
Assets as per balance sheet		
Trade receivables	71,322	62,821
Accrued income	11,812	10,852
Cash and bank balances	58,931	31,643
<b>Total</b>	<b>142,065</b>	<b>105,316</b>

	Other financial liabilities at amortised costs		Liabilities at fair value through profit and loss		Total	
	2017	2016	2017	2016	2017	2016
Liabilities as per balance sheet						
Borrowings	10,452	434	0	0	10,459	434
Liabilities to shareholders	71,901	79,839	0	0	71,901	79,839
Trade payables	30,692	21,077	0	0	30,691	21,077
Liabilities to customers	21,309	0	0	0	21,311	0
Other liabilities	9,946	20,580	0	0	9,946	20,580
<b>Total</b>	<b>144,308</b>	<b>121,930</b>	<b>0</b>	<b>0</b>	<b>144,308</b>	<b>121,930</b>

The company has entered into a currency swap SEK-EUR to the amount of SEK 15 million.

## Note 17 Financial activities

	Cashflow		Non-cash changes				
	2016		Offset promissory note	Movement in liabilities to share-holde	Foreign exchange movement	Fair value changes	2017
Long term borrowing	79,839	0		-27,579	5,208	-1,560	55,908
Short-term borrowing	18,901	-8,701	-11,137	27,579	-449	0	26,193
Financial Lease liabilities	434	-146	0	0	-36	0	252
Share and other contributed capital	349,758	87,199	11,137				448,094
Assets held to hedge long term borrowing	0	0			0	0	0
<b>Total liabilities from financing activities</b>	<b>448,932</b>	<b>78,352</b>	<b>0</b>	<b>0</b>	<b>4,759</b>	<b>-1,560</b>	<b>530,447</b>

## Note 18 Transactions with shareholders

Liabilities to shareholders	2017	2016
Non-current subordinated loan	19,699	19,699
Non-current liabilities promissory note	36,209	60,140
Current liabilities promissory note	15,993	0
<b>Closing liabilities</b>	<b>71,901</b>	<b>79,839</b>
Other noncurrent liabilities	2017	2016
Opening	79,839	76,746
Change present value	-1,560	-1,927
Movement to current liability to shareholders	-27,579	0
Currency effects	2,088	5,020
<b>Closing noncurrent liabilities</b>	<b>55,908</b>	<b>79,839</b>
Current liabilities to shareholders	2017	2016
Opening liabilities	0	41,135
Current part of promissory note	27,579	-30,689
Off set promissory note in a new share issue	-11,137	0
Non cash movement*	0	-11,926
Currency effects	-449	1,480
<b>Closing liabilities</b>	<b>15,993</b>	<b>0</b>

In 2015 the company has acquired Gatso Beheer BV. The former owners of Gatso Beheer BV have given a promissory note to the amount of MSEK 65.2 (MEUR 6.84 based on Riksbanken's EUR/SEK exchange rate of 31 Dec 2016). The promissory note has a term of seven years and is repaid in five instalments, MSEK 16.0 (MEUR 3) as of 31/07/2018, MSEK 9.6 (MEUR 1) in years four, five and six after the transaction date, and MSEK 7.7 (MEUR 0.8) seven years after the transaction date.

In 2017 MSEK 11.2 of the promissory note due on 31/08/2018 has been off set in relation to the new share issue.

\* See note 21.

## Note 19 Provisions

Provisions	2017	2016
Provision for product warranties	7,505	9,289
Other provisions	220	178
<b>Opening guarantee provision</b>	<b>7,725</b>	<b>9,467</b>
Provision for product warranties	2017	2016
Opening guarantee provision 0-360 days	5,664	6,539
Opening guarantee provision > 360 days	3,625	7,577
<b>Opening guarantee provision</b>	<b>9,289</b>	<b>14,116</b>
Addition guarantee provision for the year	7,226	10,004
Used guarantee during the year	-9,133	-15,008
Translation effects	123	177
<b>Movements during the year</b>	<b>-1,784</b>	<b>-4,827</b>
Closing guarantee provision 0-360 days	4,061	5,664
Closing guarantee provision > 360 days	3,664	3,625
<b>Closing guarantee provision</b>	<b>7,505</b>	<b>9,289</b>

## Note 20 Accrued expenses and deferred income

Accrued salaries	2017	2016
Holiday pay liability	1,993	8,499
Social charges	9,020	3,725
Deferred income	3,575	4,010
Accrued Audit and advisory expenses	4,775	11,044
Other	2,595	2,618
<b>Total</b>	<b>9,990</b>	<b>5,778</b>
	<b>31,949</b>	<b>35,674</b>

## Note 21 Contingent consideration in 2016

During the third quarter 2016 the additional purchase price of maximum MSEK 37.9, recognised under short-term liabilities in the balance sheet, was finalised resulting in a payout of MSEK 26.0 and a release of the liability to the profit and loss, under the Other operating income of MSEK 11.9.

In the parent company, the result of settling the additional purchase price resulted in a release of the liability against the value of the shares in subsidiaries relating to Gatso Beheer BV. The difference in treatment was due to a difference in accounting policies between IFRS and the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 - Accounting for Legal Entities.



## Note 22 Audit fees and reimbursement of related costs

	2017	2016
PwC		
Audit assignment	1,413	1,280
Audit work over and above the audit assignment	207	944
Tax consulting	531	634
Other assignments	117	94
<b>Total</b>	<b>2,268</b>	<b>2,952</b>

	2017	2016
BDO		
Audit assignment	1,364	1,181
Audit advisory	39	139
Tax consulting	382	324
Other assignments	299	374
<b>Total</b>	<b>2,084</b>	<b>2,018</b>

Remuneration to the audit firms Öhrlings PricewaterhouseCoopers AB during 2017 amounts to: Audit 1.561, Other legal audit engagement 60, Tax consulting 531 and Other services 117.

## Note 23 Pledged assets and contingent liabilities

	2017	2016
Floating charge	30,000	30,000
Guarantees, customer authorities	13,700	13,571
Other pledged assets, subsidiaries	116,395	110,734
<b>Total pledged contingent liabilities</b>	<b>130,096</b>	<b>154,305</b>

	2017	2016
Tangible fixed assets	32,656	39,294
Inventory	49,884	31,457
Receivables	33,855	39,983
<b>Pledges assets total</b>	<b>116,395</b>	<b>110,734</b>

### Other pledged assets, subsidiaries

#### **Pledges and securities Australia**

Security Interest and Charge over all of the present and future rights, property and undertakings of Gatso Australia Pty Limited.

#### **Pledges and securities Netherlands**

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

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

The company SGG BV is jointly liable for the credit and guarantee facilities provided by Rabobank together with Sensys Gatso Managed Services BV and Gatsometer BV.

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

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

#### **Pledges Sweden**

Sensys Gatso Group AB has a Debt Service Coverage Ratio and absolute EBITDA agreement with the bank which have to be met each quarter under the agreement of the bank facilities.

## Note 24 Events after the balance sheet date

After the year end closing Sensys Gatso has received the following orders;

- » Sensys Gatso has received an award for a 5-year contract in Ohio to provide automated speed enforcement, estimated to be worth USD 125 thousand annually, corresponding to SEK 5 million over this contract period.
- » Sensys Gatso has received an order for in-vehicle based traffic safety systems worth 10 MSEK from its partner in Qatar.
- » Sensys Gatso has decided to fully provision on an outstanding receivable to the amount of EUR 1 million regarding project deliveries in the Middle East from 2016. This provision has been taken into account in the 2017 income statement.
- » Sensys Gatso has won the procurement contract for new traffic-safety cameras in Finland. The contract concerns systems to a value of estimated SEK 30 million.
- » Sensys Gatso has received an order for in-vehicle based traffic enforcement systems from a governmental customer in Saudi Arabia. The order concerns the delivery of systems to a potential total value of EUR 10 million, corresponding to SEK 100 million. The order is under condition that both parties agree on final terms and conditions.

The Board of Directors proposes that no dividends be distributed for 2017 (0).

During the period from the close of the reporting period to the signing of this Annual Report, no significant events have occurred and no information on circumstances on the balance sheet date or thereafter, whether favourable or unfavourable, has required additional disclosures, other than what has been stated above.

## Note 25 Risks

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

### FINANCIAL RISKS

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

### CURRENCY RISK

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

### Transaction exposure

In the Group's international operations, some customers pay in their own currency which means that the Group is exposed to transactional currency risks. This kind of currency risk also arises in conjunction with the import of raw material and components in a currency that is not the Group's functional currency.

Incoming flows or foreign currencies should be used for payment in the same currency.

### 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 2017, expressed in thousands of Swedish krona (TSEK) consisted of the following:

Translation exposure 2017	EUR	USD	SEK	AUD	Total
Assets as per balance sheet:					
Trade receivables	30,651	5,197	37,467	4,762	78,077
Accrued income	7,177	0	201	4,639	12,017
Cash and bank balances	-9,328	1,091	54,936	2,028	48,727
<b>Total</b>	<b>28,501</b>	<b>6,287</b>	<b>92,604</b>	<b>11,428</b>	<b>138,820</b>
Liabilities as per balance sheet:					
Borrowings	0	10,204	255	0	10,459
Liabilities to shareholders	52,202	19,699	0	0	71,901
Trade payables	9,813	19,249	3,835	4,905	37,802
Liabilities to customers	21,309	2	0	0	21,311
Other liabilities	0	9,554	864	443	10,862
<b>Total</b>	<b>83,324</b>	<b>58,709</b>	<b>4,955</b>	<b>5,348</b>	<b>152,336</b>

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

	Impact on profit after tax		Impact on other components in equity	
TSEK	2017	2016	2017	2016
EUR/SEK exchange rates + 10%	-1,845	-5,376	14,363	-577
USD/SEK exchange rates + 10%	-172	365	-7,648	-6,992
AUD/SEK exchange rates + 5%	-36	230	1,369	390

The largest exposure to changes is in the EUR/SEK exchange rate, but the USD/SEK exchange rate is also sensitive to changes, which can affect equity, since the Company has goodwill and other intangible assets in local currencies. The Company has entered into a swap contract to the amount of SEK 15 million. The Group's exposure to other exchange rate fluctuations is not material.

### INTEREST RISKS

Sensys holds no interest-bearing assets and, accordingly, the Group's income and cash flow from operating activities are, in all material aspects, independent of changes in market interest rates. The Group's interest-rate risk arises in conjunction with long-term borrowing. The aim is to limit the interest risk in the Group's interest-bearing liabilities. At the closing date, the Group had MSEK 82.4 (99.2) in interest-bearing liabilities and cash and cash equivalents were MSEK 58.9 (31.6). Borrowing on the basis of floating interest rates, exposes the Group to interest-rate risks as regards to cash flow. Borrowing on the basis of fixed interest rates implies an interest-rate risk for the Group in terms of fair value. During 2017, the Group's borrowings largely consisted of loans with three months fixed interest rates which is the same conditions as of 2016.

If interest rates on borrowing in Swedish krona as of 31 December 2017 had been 10 points higher/lower, but all other variables had been constant, then gains before tax for the financial year would have been MSEK 0.1 (1.8) higher/lower, primarily as an effect of higher/lower interest expenses for borrowings with floating interest rates.

The Group holds no listed financial instruments.

### LIQUIDITY AND FINANCIAL RISKS

Financing risk also refers to risks associated with existing and future financing, refinancing of overdue loans, or difficulties in raising external loans. Liquidity risk refers to the risk of being unable to fulfil payment commitments when they fall due as a consequence of insufficient liquidity. Both of these forms of risk are managed by the company preparing regular cash flow forecasts. The Board closely monitors rolling forecasts for the company's and the Group's liquidity reserve to ensure that the company has sufficient cash funds to meet the requirements of operating activities.

During 2017 payments of MSEK 8.8 (108.9) have been made to repay loans. The payment to the banks during the year amounted to MSEK 18.9 (34.0). During the year the company has used MSEK 10.0 of its credit facilities.

For the liabilities the company has conventional covenants towards the banks, such as debt-to equity, levels of EBITDA and certain restriction for new investments. Sensys Gatso did not fulfil the EBITDA ratio as required in the contract for the credit facilities but has received a waiver from the bank with regards to the fourth quarter. The group has processes in place to monitor the bank covenants and the cash flow and is in control of cash requirements. Furthermore, we are in discussion with our banks on the terms of the bank covenants and the credit facilities to better fit our business model going forward.

The table below presents an analysis of the Group's financial liabilities to be settled net, specified according to the contractual time to maturity, as of the closing date. The interest amounts stated in the table are the contractual, undiscounted cash flows. Amounts falling due within 12 months correspond with the carrying amounts, as the effect of discounting is negligible.

As of 31 December 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank loans	10,204	255	0	0
Trade payables and other liabilities	30,692	0	0	0
Loan to related parties	15,993	9,136	27,073	26,362
<b>Total</b>	<b>56,889</b>	<b>9,391</b>	<b>27,073</b>	<b>26,362</b>

As of 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank loans	19,219	442	0	0
Trade payables and other liabilities	21,077	0	0	0
Loan to shareholders	0	27,427	27,427	31,457
<b>Total</b>	<b>40,296</b>	<b>27,869</b>	<b>27,427</b>	<b>31,457</b>

### 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 25.3 (24.0) was made for receivables that are not expected to be paid.

### CAPITAL RISK

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down.

To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The debt/equity ratio at 31 December 2017 was 67.3 per cent (63.4).

### 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 linear manager is also responsible for driving and developing his/her respective area of responsibility, which includes identifying opportunities and threats as well as continuously following up activities.

Finally, the management team's meetings function as a forum for discussions upon which operational decisions are based, thereby consolidating risk management in its entirety.

### 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 will be in full compliance with new GDPR regulations.

# Parent Company

## Income Statement

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

TSEK	Note	2017	2016
Net sales	26, 27	6,276	118,749
Cost of goods sold		0	-69,376
<b>Gross profit</b>		<b>6,276</b>	<b>49,373</b>
Selling costs		0	-15,929
Administrative costs		-18,062	-29,159
Development costs		0	-14,844
Other operating costs		-10	-437
<b>Operating profit/loss</b>	<b>28, 29</b>	<b>-11,796</b>	<b>-10,996</b>
<b>Profit/loss from financial investments</b>	<b>30</b>		
Interest income/foreign exchange gains		4,992	3,742
Interest expense/foreign exchange losses		-7,637	-9,953
<b>Profit/loss before tax</b>		<b>-14,441</b>	<b>-17,207</b>
Income tax for the year	31	-2,984	-866
<b>PROFIT OR LOSS FOR THE YEAR</b>		<b>-17,425</b>	<b>-18,073</b>

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



# Parent Company

## Balance Sheet

TSEK	Note	2017-12-31	2016-12-31
<b>ASSETS</b>			
INTANGIBLE NONCURRENT ASSETS	32		
Customer Contracts and relations		0	0
		0	0
FIXED ASSETS	33		
Leasehold improvement		0	999
Furnitures, fixtures, etc		0	320
Fixed assets in operation		0	1,642
		<b>0</b>	<b>2,961</b>
OTHER NONCURRENT ASSETS			
Deferred tax assets	31	21,104	24,088
Investments in Subsidiaries	34	413,952	383,952
Loan Subsidiaries	35	30,000	209
		<b>465,056</b>	<b>408,249</b>
<b>TOTAL NONCURRENT ASSETS</b>		<b>465,056</b>	<b>411,210</b>
INVENTORIES	36		
Raw materials and consumables		0	9,114
Finished products and goods for resale		0	4,908
		<b>0</b>	<b>14,022</b>
Trade receivables	37	0	32,866
Receivables, subsidiaries		0	7,083
Current tax assets		305	2,001
Prepaid expenses and accrued income	38	157	1,885
		<b>462</b>	<b>43,835</b>
CASH AND CASH EQUIVALENTS			
Cash and bank balances		37,404	27,840
		<b>37,404</b>	<b>27,840</b>
<b>TOTAL CURRENT ASSETS</b>		<b>37,866</b>	<b>85,697</b>
<b>TOTAL ASSETS</b>		<b>502,922</b>	<b>496,907</b>

# Parent Company

## Balance Sheet

TSEK	Note	2017-12-31	2016-12-31
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	39		
Share capital		42,246	32,858
Other contributed capital			
Statutory reserve		25,215	25,215
		<b>67,461</b>	<b>58,073</b>
Other reserves		0	0
Share premium reserve		380,633	291,685
Retained earnings incl net profit for the year		-3,052	14,355
		377,581	306,040
Non-controlling interest			
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>445,042</b>	<b>364,113</b>
<b>LIABILITIES</b>			
NONCURRENT LIABILITIES	40		
Other provisions	41	0	927
Liabilities to shareholders	42	36,209	60,705
		<b>36,209</b>	<b>61,632</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	40, 14	0	18,750
Liabilities to shareholders	12, 22	15,993	0
Liabilities to subsidiaries		0	3,352
Liabilities to customers		0	13,257
Other provisions	41	0	3,387
Trade payables		450	12,915
Other liabilities		452	5,617
Accrued expenses and deferred income	43	4,776	13,884
		<b>21,671</b>	<b>71,162</b>
<b>TOTAL LIABILITIES</b>		<b>57,880</b>	<b>132,794</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>24</b>	<b>502,922</b>	<b>496,907</b>

# Parent Company

## Cash Flow

TSEK		31 Dec 2017	31 Dec 2016
OPERATING ACTIVITIES			
<b>Operating profit/loss</b>		<b>-11,796</b>	<b>-10,996</b>
Adjustments for non-cash items:			
Depreciation and amortisation	5, 6	0	1,162
Warranty provision	43	0	-2,830
		<b>-11,796</b>	<b>-12,664</b>
Interest received		0	1
Interest paid		-1,714	-2,174
Exchange rate effects		1,725	-4,038
<b>Cash flow from operating activities before changes in working capital</b>		<b>-11,785</b>	<b>-18,875</b>
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Trade receivables		0	3,719
Inventories	34	0	7,165
Trade payables		-1,071	-1,292
Liabilities to customers		0	3,474
Other changes in working capital		-2,988	10,409
<b>Cash flow from operating activities</b>		<b>-15,844</b>	<b>4,600</b>
INVESTING ACTIVITIES			
Investment in subsidiaries and associated companies		-30,000	0
Investment in property, plant and equipment		0	-2,413
Increase in financial assets			
<b>Cash flow from investing activities</b>		<b>-30,000</b>	<b>-2,413</b>
FINANCING ACTIVITIES			
New share issue		92,130	0
Share issue costs		-4,931	0
Borrowings		-18,750	-25,000
Transfer of business		16,959	0
Loan to subsidiaries		-30,000	-22,395
Change in taxes		0	2,324
<b>Cash flow from financing activities</b>		<b>55,408</b>	<b>-45,071</b>
Cash flow for the year		9,564	-42,884
Cash and cash equivalents at beginning of the year		27,840	70,724
Cash and cash equivalents at end of the year		37,404	27,840



# Parent Company

## Statement of changes in shareholders' equity

	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Total shareholders' equity
<b>Shareholders' equity 1 Jan 2016</b>	32,858	25,215	291,685	32,428	382,186
Net profit of the year				-18,073	-18,073
Other comprehensive income					0
<b>Shareholders' equity 1 Jan 2017</b>	32,858	25,215	291,685	14,355	364,113
New share issue	9,388		93,879	17	103,284
Share issue costs			-4,931		-4,931
Profit/loss for the year/Total profit/loss				-17,424	-17,424
Other comprehensive income				0	0
<b>Shareholders' equity 31 Dec 2017</b>	42,246	25,215	380,633	-3,052	445,042

# Notes on the accounts, Parent Company

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

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

## Note 26 Total sales

Net sales by region	2017	2016
Netherlands	2,885	9,777
Australia	0	0
Sweden	3,391	62,802
Rest of Europe	0	4,889
USA	0	602
MENA	0	30,246
Rest of the world	0	10,433
<b>Total</b>	<b>6,276</b>	<b>118,749</b>

## Note 27 Purchase and sales between group companies

Of the Parent Company's total income from operations, MSEK 6.3 (9.8) refers to remuneration from subsidiaries for services performed. Of the Parent Company's administrative costs, MSEK 0 (2.3) refers to remuneration to subsidiaries for services purchased.

Receivables from subsidiaries	2017	2016
Opening receivables	7,083	2,725
Sales during the year	-7,083	4,358
<b>Closing receivables</b>	<b>0</b>	<b>7,083</b>
Other noncurrent assets subsidiaries	2017	2016
Opening participations	209	2,500
Change during the year	-209	-2,291
<b>Closing participations</b>	<b>0</b>	<b>209</b>

The fair values of the Group's financial assets correspond with their carrying amounts.

Liabilities to subsidiaries	2017	2016
Opening liabilities	3,352	865
Change during the year	-3,352	2,488
<b>Closing liabilities</b>	<b>0</b>	<b>3,352</b>
Other current liabilities	2017	2016
Opening participations	0	0
Change during the year	0	0
<b>Closing participations</b>	<b>0</b>	<b>0</b>

The fair values of the Group's financial assets correspond with their carrying amounts. The pricing of transactions, such as purchases and sales of goods and services between Group companies, takes place on the basis of market conditions.

## Note 28 Expenses by nature of expense

	2017	2016
Raw materials and consumables used	0	46,646
Depreciation and amortisation	0	1,161
Employee benefits and expenses	7,360	48,548
Accommodation expenses?	109	5,367
Marketing expenses	740	4,385
Transportation costs	165	2,206
Office expenses	182	0
External Services General expenses	7,740	14,237
General expenses	1,777	2,372
Development	0	663
Other costs	0	3,721
<b>Total</b>	<b>18,072</b>	<b>129,306</b>

## Note 29 Operational leasing arrangements

The Group has entered into the following operating leases:

	Machines and other technical plan		Premises	
	2017	2016	2017	2016
Lease payments for the year	122	1,116	102	3,835
Minimum lease payments falling due within 1 year	31	561	310	2,916
Minimum lease payments falling due within 1-5 years	0	110	0	12,653
Minimum lease payments falling due later than 5 years	0	0	0	7,800

Leases for machines, plant and equipment concern photocopy machines and motor vehicles. The lease term varies from three to five years, after which the lessee has the possibility to acquire the leased object, which will probably be the case. There are no variable charges.

## Note 30 Interest and similar profit/loss items

Interest and similar profit/loss items	2017	2016
Interest income on bank deposits	0	1
Exchange rate gains on bank deposits or other loans	4,992	3,741
Other financial income	0	0
<b>Total financial income</b>	<b>4,992</b>	<b>3,742</b>
Interest expense on financial liabilities	2017	2016
Interest expense on loans	1,712	-2,174
Exchange rate losses on bank deposits or other loans	5,922	-7,779
Other financial expenses	3	0
<b>Total financial costs</b>	<b>7,637</b>	<b>-9,953</b>

## Note 31 Tax on profit for the year

Corporate income tax	2017	2016
Current tax	0	0
Deferred tax	-2,984	-866
<b>Total</b>	<b>-2,984</b>	<b>-866</b>
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	-14,441	-17,207
Tax at 22% (22%)	3,177	3,785
Tax effect of non-deductible expenses	-7	-32
Tax effect of non-deductible income	0	0
Effect of unrecognised tax asset relating to tax losses	-6,154	-4,619
<b>Tax on profit/loss for the year in accordance with income statement</b>	<b>-2,984</b>	<b>-866</b>

At 31 Dec 2017 the company had total estimated unutilised tax losses of TSEK 149,389 (146,212). In the annual accounts, total tax losses from 2005 up until Q1 2012 have been recognised as an asset. Tax losses since Q2 2012 not recognised as an asset amounts to MSEK 30,7.

### Temporary tax differences

Deferred tax recoverable	2017	2016
Accumulated tax losses	21,104	21,104
Temporary differences relating to inventories	0	2,984
	<b>21,104</b>	<b>24,088</b>

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. The company has an extensive budget process in order to verify the future taxable profits. Furthermore, there are verifiable circumstances in the form of the current order backlog and agreements with customers.

As per December 2017, the Parent company Sensys Gatso Group AB had total estimated unutilised tax losses of TSEK 146,868 (146,212). Approximately SEK 110 million has been accounted for in the deferred tax asset to the amount of SEK 21.1 (24.1) million. The parent company has been loss making in 2016 and 2017, which could indicate a possible impairment. However, it is important to stress that the results from 2016 have been influenced by one off costs relating to the transformation program and that costs were further scrutinized, resulting in a cost reduction as of the fourth quarter of 2017.

Based on future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands. Furthermore, management expects Sensys Gatso Sweden AB to contribute to the future profits by entries in to new markets and a broader product range that can be offered to existing customer relations. Based on these assumptions management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilized in future.

### Temporary differences

Temporary differences referring to the following items have resulted in deferred tax liabilities and deferred tax assets. These items have indefinite useful lives. Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised, as a sale would not result in taxation.

## Note 32 Non-current assets

Customer contracts and relations	2017	2016
<b>Opening accumulated acquisition value</b>	<b>1,012</b>	<b>1,012</b>
Disposals	-1,012	0
<b>Closing accumulated acquisition value</b>	<b>0</b>	<b>1,012</b>
Opening amortisation	-1,012	-1,012
Disposals	1,012	0
Closing accumulated amortisation	0	-1,012
<b>Carrying amount</b>	<b>0</b>	<b>0</b>



## Note 33 Fixed assets

	Leasehold improvement		Furnitures, fixtures, etc		Total	
	2017	2016	2017	2016	2017	2016
<b>Opening accumulated acquisition value</b>	<b>1,111</b>	<b>871</b>	<b>7,544</b>	<b>6,509</b>	<b>8,655</b>	<b>7,380</b>
Acquisition per July 31st 2015	0	240	0	0	0	240
Acquisitions	0	0	0	2,197	0	2,197
Disposals	-1,111	0	-7,544	-1,162	-8,655	-1,162
<b>Closing accumulated acquisition value</b>	<b>0</b>	<b>1,111</b>	<b>0</b>	<b>7,544</b>	<b>0</b>	<b>8,655</b>
<b>Opening accumulated depreciation</b>	<b>-112</b>	<b>0</b>	<b>-3,739</b>	<b>-3,827</b>	<b>-3,851</b>	<b>-3,827</b>
Acquisition per July 31st 2015	0	0	3,739	0	0	0
Disposals	112	0	0	1,138	3,851	1,138
Depreciation for the period	0	-112	0	-1,049	0	-1,161
<b>Closing accumulated depreciation</b>	<b>0</b>	<b>-112</b>	<b>0</b>	<b>-3,738</b>	<b>0</b>	<b>-3,850</b>
<b>Opening accumulated impairment</b>	<b>0</b>	<b>0</b>	<b>-1,843</b>	<b>-1,843</b>	<b>-1,843</b>	<b>-1,843</b>
Translation effects	0	0	0	0	0	0
Disposals	0	0	1,843	0	1,843	0
<b>Closing accumulated impairment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,843</b>	<b>0</b>	<b>-1,843</b>
<b>Carrying amount</b>	<b>0</b>	<b>999</b>	<b>0</b>	<b>1,963</b>	<b>0</b>	<b>2,962</b>

## Note 34 Shares and participation in subsidiaries

	2017	2016
Opening acquisition value	383,952	395,912
Contribution to share capital in subsidiaries	30,000	0
Change in value due to additional purchase price (see note 21)	0	-11,960
<b>Closing accumulated acquisition value</b>	<b>413,952</b>	<b>383,952</b>
<b>Carrying amount</b>	<b>413,952</b>	<b>383,952</b>

Contribution to share capital in subsidiaries refers to asset transfer from Sensys Gatso Group AB to Sensys Gatso Sweden AB.

Details of wholly owned subsidiaries, their corporate identity numbers and registered offices

Subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share	Carrying amount	
					2017	2016
Sensys Gatso Sweden AB	100%	556811-3376	Jönköping	500	30,050	50
Sensys Gatso Group BV	100%	34030301	Haarlem, NL	3,598	383,952	383,952
<b>Sub-subsidiaries</b>	<b>Ownership</b>	<b>Corporate Identity Number</b>	<b>Registered offices</b>	<b>No. of share</b>		
Gatsometer B.V.	100%	34065996	Haarlem, NL	500		
Gatsometer Europa B.V.	100%	34077170	Haarlem, NL	400		
Sensys Gatso Managed Services B.V.	100%	34064750	Haarlem, NL	400		
Gatso Australia Pty Ltd.	100%	ABN20086 166494	Sydney, AUS	1,000		
Gatso Deutschland GmbH	100%	HRB 67669	Hilden, DE	25,000		
FDFJ B.V.	100%	34279593	Aerdenhout, NL	50,000		
FDFJ Inc.	100%	4375982	Dover Delaware, USA	100		
Gatso USA Inc.	80%	4375979	Dover Delaware, USA	80		
Gatso Asia Ltd.	100%	1196483	Hong Kong, HK	1		
Gatso Canada	80%	BC1009998	Alberta, CA	10,000		
Sensys Gatso Japan KK	100%	0110-01-101894	Tokyo, JP	100		

## Note 35 Bank facilities and other assets

	2017	2016
The Parent company's interest-bearing assets		
Within one year, SEK	6,000	209
Within one year, EURO	0	0
Between two and five years	24,000	0
More than five years	0	0
<b>Total</b>	<b>30,000</b>	<b>209</b>

## Note 36 Inventories

	2017	2016
Opening acquisition value	14,022	27,585
Movement in inventory	-14,022	-13,563
Translation effects	0	0
<b>Closing acquisition value</b>	<b>0</b>	<b>14,022</b>

## Note 37 Trade receivables

<i>Age structure of outstanding trade receivables but not impaired:</i>	2017	2016
Trade receivables not yet due	0	30,378
< 3 months	-	2,358
3-12 months	-	130
>12 months	-	0
<b>Trade receivables not impaired</b>	<b>0</b>	<b>32,866</b>
<i>Trade receivables past due and impaired:</i>	2017	2016
< 3 months	0	0
3-12 months	0	0
>12 months	0	348
Provision for doubtful trade receivables	0	-348
<b>Trade receivables impaired</b>	<b>0</b>	<b>0</b>
<b>Carrying amount</b>	<b>0</b>	<b>32,866</b>
<i>Change in provision for doubtful trade receivables</i>	2017	2016
Opening provision	0	348
Acquisitions (-)/Sales (+)	0	-348
Reversal of provision	0	0
Provision for the year	0	0
Translation effects	0	0
<b>Closing provision</b>	<b>0</b>	<b>0</b>

## Note 38 Prepaid expenses and accrued income

	2017	2016
Prepaid lease payments	16	121
Prepaid rent	31	1,123
Other items	110	641
<b>Total</b>	<b>157</b>	<b>1,885</b>

## Note 39 Shareholders' equity

### Share capital

The share capital of Sensys Gatso Group AB amounts to SEK 42,245,683.50 (32,857,754), divided into 844,913,669 (657,155,077) 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

## Note 40 Bank overdraft facilities and other borrowing

<i>The Parent company's interest-bearing borrowings</i>	2017	2016
Due date for long-term loans:		
Within one year, SEK	0	18,750
Within one year, EURO	1,598	0
Between two and five years	36,209	52,725
More than five years	0	7,980
<b>Total</b>	<b>52,202</b>	<b>79,455</b>
Average interest expenses on borrowings;		
Long-term borrowings, SEK	0	797
Long-term borrowings, EUR	0	0
<b>Total</b>	<b>0</b>	<b>797</b>

## Note 41 Provision for guarantee expenses

	2017	2016
Opening provision	4,314	7,144
New provision during the year	0	1,914
Release of provision	-4,314	-4,744
<b>Closing</b>	<b>0</b>	<b>4,314</b>
Guarantee provision 0-360 days	0	3,387
Guarantee provision > 360 days	0	927
<b>Total</b>	<b>0</b>	<b>4,314</b>

## Note 42 Transactions with shareholders

Liabilities to related parties	2017	2016
Opening liabilities	0	36,560
Amortisation during the year	0	-26,114
Non cash movement	15,993	-11,926
Currency effect	0	1,480
<b>Closing liabilities</b>	<b>15,993</b>	<b>0</b>
Other noncurrent liabilities	2017	2016
Opening	60,705	58,466
Amortisation during the year	-11,137	0
Change during the year	-15,993	-1,927
Currency effect	2,634	4,166
<b>Closing noncurrent liabilities</b>	<b>36,209</b>	<b>60,705</b>

Gatso Special Products has given a promissory note to the order of MSEK 66.9 (MEUR 9.85 based on Riksbanken's EUR/SEK exchange rate of 31 Dec 2017). The promissory note has a term of seven years and is repaid in five instalments, MSEK 29.5 (MEUR 3) as of 31/07/2018, MSEK 9.85 (MEUR 1) in years four, five and six after execution of the transaction, and MSEK 7.9 (MEUR 0.8) seven years after execution of the transaction. During 2017 MSEK 11.1 has been amortised in relation to the new share issue.

## Note 43 Accrued expenses and deferred income

	2017	2016
Accrued salaries	1,872	1,522
Holiday pay liability	524	3,725
Social charges	506	4,010
Deferred income	0	81
Accrued Audit and advisory expenses	1,556	1,556
Other	318	2,990
<b>Total</b>	<b>4,776</b>	<b>13,884</b>

## Note 44 Audit fees and reimbursement of related costs

	2017	2016
PwC		
Audit assignment	1,368	1,280
Auditing work over and above the audit assignment	207	944
Tax consulting	531	634
Other assignments	117	94
<b>Total</b>	<b>2,223</b>	<b>2,952</b>

## Note 45 Pledged assets and contingent liabilities

	2017	2016
Pledged assets		
Floating charge	30,000	30,000
<b>Total pledged contingent liabilities</b>	<b>30,000</b>	<b>30,000</b>

## Note 46 Parent Company

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

Sensys Gatso Group AB is the Parent Company of the Sensys Gatso Group, one of the world's leading traffic safety supplier. The Group develops, manufactures and markets traffic safety systems that preliminary used for monitoring red-light and speed control. At year end, Sensys Gatso Group AB had 21,012 shareholders. Together, the ten largest shareholders hold 34.4 percent (34.6) of the shares outstanding.

## Note 47 Events after the balance sheet date

During the period from the balance sheet date to the signing of this Annual Report, no significant events have occurred and no information on circumstances on the balance sheet date or thereafter, whether favourable or unfavourable, has required additional disclosures, other than what has been stated above.

## Note 48 Proposed appropriation of profit or loss

The following profits are at the disposal of the Annual General Meeting:

Share premium reserve	380,633
Retained earnings	14,372
Profit for the year	-17,424
<b>Total TSEK</b>	<b>377,581</b>

The Board of Directors proposes that no dividend will be paid for 2017 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 17 May 2018.

Jönköping, 17 April 2018

**Claes Ödman**  
Chairman of the Board

**Jochem Garritsen**  
Board Member

**Pia Hofstedt**  
Board Member

**Kerstin Sjöstrand**  
Board Member

**Ingemar Skogö**  
Board Member

**Katarina Staaf**  
Board Member

**Ivo Mönnink**  
Chief Executive Officer

Our audit report was submitted on 17 April 2018

**Martin Odqvist (auditor in charge)**  
Authorised Public Accountant

**Magnus Brändström**  
Authorised Public Accountant

# Auditor's report

## To the general meeting of the shareholders of Sensys Gatso Group (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 for the financial year 2017 with the exception of the Corporate Governance Report on pages 28-35. The annual accounts and consolidated accounts of the company are included on pages 22-66 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 2017 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 2017 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 Report on pages 28-35. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report which has been presented to the parent company's and group's Audit Committee in accordance with the Auditor's Ordinance (537/2014), 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 means that, based on our best knowledge and belief, no prohibited services referred to in Article 5.1 of the Auditors Ordinance (537/2014) have been provided to the audited company or, as the case may be, its

parent company or its controlled company within the EU.

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

#### Our audit approach

##### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Sensys Gatso Group's operations are undertaken in a number of units in six countries.

The group audit team has audited the Swedish operations, the group consolidation, the consolidated accounts and a number of complex transactions and issues such as the valuation of the tax recoverables attributable to the unutilized tax losses in the US and the impairment test regarding goodwill.

Sensys Gatso Group is comprised, in addition to the Swedish operations, of a sub-group, Gatso Beheer BV. The audit of this sub-group has been coordinated and, to a major degree, is performed by BDO in the Netherlands. Based on our instructions, BDO has performed an audit of the consolidation of the sub-group which, amongst other things, includes the audit of the three larger units, Gatsometer B.V. (The Netherlands), Gatso USA Inc and Gatso Australia Pty.

According to generally accepted audit standards, the group auditor is to ensure that the auditors in the units, that is, in this case, BDO, have executed the correct audit activities and that these have been undertaken with a sufficiently high quality as regards to the identified audit risks. As BDO executed audit work which was significant in the audit of the group, and as BDO is not a part of the PwC network, this duty on behalf of

the group auditor is of extra importance. Consequently, we have designed specified instructions for BDO Netherlands and have ensured, via ongoing communication and meetings, as well as through written confirmations, that BDO has understood and has given consideration to these instructions. We have reviewed, discussed and evaluated the risk and materiality assessments which the unit auditors planned to apply and which they have also used in their audits. We have also visited Sensys Gatso Group's operations in Haarlem and participated in an annual review of the audit together with local company management. On the same occasion, we reviewed, together, significant audit activities undertaken by BDO Netherlands and studied their audit documentation.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

#### 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

## Key audit matter

### *Impairment test of goodwill*

Of the group's total balance sheet, goodwill comprises a significant amount

On pages 49 and 50 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 2017.

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

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

### **How our audit addressed the Key audit matter**

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

In our audit, we checked the most important assumptions made by the group management and Board of Directors which were applied in the impairment tests, such as those regarding growth, profitability and the discount rate. We assessed these assumptions, by comparing against Sensys Gatso Group's budget per segment and also against historical outcome. We executed an independent assessment with the starting point being the market economic premises for the various cash-generating units included in each segment.

The applied discount rates per segment were checked against observable market data. We also examined the starting point for the determination of significant assumptions to ensure that they are consistent with the previous year.

We audited the simulations and sensitivity analyses undertaken by the group management and Board of Directors. These tests have also provided the basis for our control of the disclosures provided in the annual report in Note 9.

As a final, overall control, we have compared the company's stock exchange value

in relation to its calculated net realizable value.

### **Valuation of deferred tax recoverables attributable to unutilised tax losses**

In Note 11, it is stated that the group reports deferred tax recoverables totalling a significant amount. These amounts refer to fiscal losses carried forward in Sweden and the US.

In order to assess the value of unutilized tax losses, group management and the Board of Directors must make assumptions on the amount of future taxable profits, which are impacted by market conditions, the company's own performance in each country of operation and the tax legislation in effect. The complexity of this assessment is enhanced by the fact that the operations in Sweden are volatile, and is also due to the fact that the unutilized tax losses in the US are limited in time and amount.

Based on the size of the recoverables, and as the valuation includes significant judgments, this audit activity has comprised a significant area in our audit.

### **How our audit addressed the Key audit matter**

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

Regarding the American tax recoverables, we checked, together with our tax specialists, to determine if correct premises had been applied. This was done as we deemed that the nature of the US tax system in terms of losses carried forward is relatively complex.

In executing our audit, we examined to determine if there were any adopted or forthcoming changes in the tax regulations in Sweden, and in the US, which could impact the possibility of utilising the tax losses or could impact the size of the losses that can be utilized, and have been accounted for according to generally accepted accounting practice.

We also examined the disclosures Sensys Gatso Group provides in Note 11 to deter-

mine if they are correct. In the same Note, there is a statement that the entire amount of unutilized tax losses in Sweden has not been reported 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 1-21 and 70-72. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

### **Responsibilities of the Board of Directors and the Managing Director**

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however



not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibility**

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditor's website: [www.revisorsinspektionen.se/rn/showdocument/documents/revdok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/revdok/revisors_ansvar.pdf). This description is part of the auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sensys Gatso Group AB (publ.) for the year 2017 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 fulfil 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 au-

dit 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.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditor's website: [www.revisorsinspektionen.se/rn/showdocument/documents/revdok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/revdok/revisors_ansvar.pdf). This description is part of the auditor's report.

#### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 28-35 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing 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.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed to serve as auditor of Sensys Gatso Group AB by the annual meeting of shareholders held on 12 May 2017 and has been the company's auditors since 18 April 2011.

Jönköping, 17 April 2018

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist  
Authorised Public Accountant  
Auditor in Charge

Magnus Brändström  
Authorised Public Accountant

# Information to the shareholders

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

- » Q1 2018, 17 May
- » Q2 2018, 30 August
- » Q3 2018, 22 November

Annual reports and other reports are available at our website at [www.sensysgatso.com](http://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 17 May 2018 at 3pm at Elite Stora Hotellet, Hotellplan, Jönköping.

## Right to participate in the Annual General Meeting

Shareholders wishing to attend the Annual General Meeting of Sensys Gatso must be recorded in the share register maintained by Euroclear Sweden AB no later than 11 May 2018, and have given notice of their intention to attend the Meeting by 11 May 2018.

In order to be entitled to attend the Annual General Meeting and exercise their right to vote, shareholders whose shares are registered under a nominee name must temporarily register the shares in their own name. Such re-registration must be handled by the trustee/bank and shall be completed with Euroclear Sweden AB by 11 May 2018.

## Notification of intention to attend

Notice of intention to attend the Annual General Meeting must be made to Sensys Gatso by 12 noon on 11 May, by mail:

Sensys Gatso Group AB  
Box 2174  
550 02 Jönköping  
by telephone: +46 (0)36-34 29 98  
by fax: +46 (0)36-12 56 99  
or by e-mail: [info@sensysgatso.com](mailto:info@sensysgatso.com)

## Audit committee

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

## Remuneration committee

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

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

## Nominating committee

The nominating committee prepares proposals for the Annual General Meeting with regard to the election and remuneration of Board members and auditors. The nominating committee meets when required, although at least once a year. Since the AGM held on 18 May 2017, the nominating committee of Sensys Gatso Group AB (publ) has been composed of the following members:

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

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

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

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

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

## Contact for financial information

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

# Addresses

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Registered No 556215-4459  
VAT NO SE556215445901

## **Sensys Gatso Sweden AB**

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## **Sydney Office**

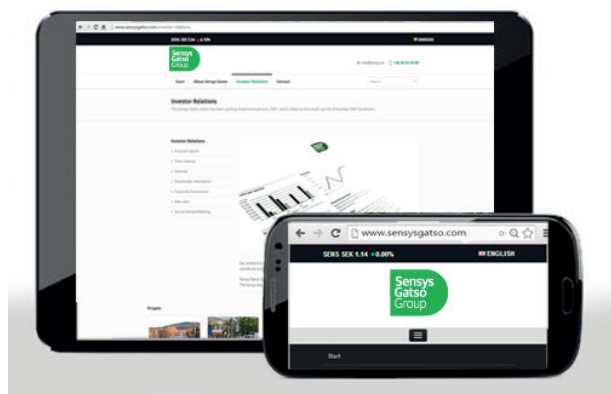
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40723 Hilden, Germany  
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Sensys Gatso's website - [www.sensysgatso.com](http://www.sensysgatso.com) - contains detailed and up-to-date financial information. The website also has a subscriber service for those wishing to subscribe to press releases and reports via e-mail.



Sensys Gatso is a global leader in traffic management solutions for nations, cities and fleet owners. Sensys Gatso has subsidiaries in Australia, Germany, the Netherlands, Sweden, and the USA, and a branch office in the United Arab Emirates. The Sensys Gatso Group's shares are listed at NASDAQ Stockholm and has a total of 167 employees.

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