



Sensys
Gatso
Group

›2018

Annual Report



Our Purpose

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

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

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

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

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

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

Sensys Gatso. Making traffic safer.





**Sensys Gatso
offices**

2018 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 2017 financial year, unless otherwise stated. Data on market and competition conditions are Sensys Gatso Group's own estimates. These estimates are based on most up-to-date available information from published sources.

Financial information, both in Swedish and English, is available at www.sensysgatso.com under Investerare/Investor Relations, where a printed copy of the Annual Report may also be ordered. A copy of the Annual Report can also be obtained by calling +46 (0)36-34 29 80, by e-mailing a request to info@sensysgatso.com.

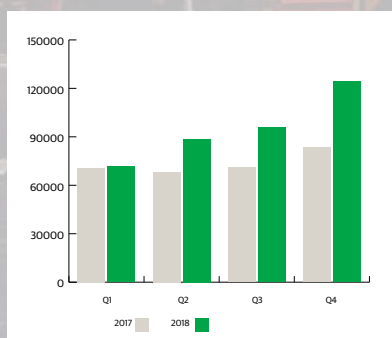
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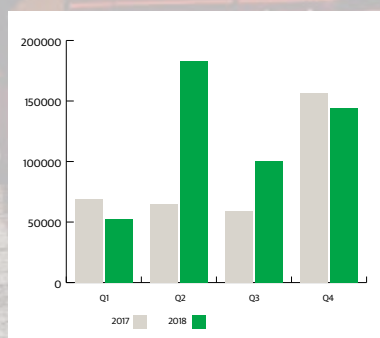
2018 in brief

- » Net sales MSEK 380.3 (293.1)
- » Order intake MSEK 480.0 (348.9)
- » Operating profit MSEK 0.6 (-54.8)
- » Gross margin (%) 42.5 (39.6)
- » EBITDA MSEK 37.6 (-15.9)
- » The profit after tax MSEK -2.5 (-61.8)
- » Comprehensive income 16.1 MSEK (-64.9)
- » Earnings per share, before and after dilution, SEK 0.00 (-0.07)
- » Cash flow from operating activities amounted to MSEK 49.3 (-39.3)

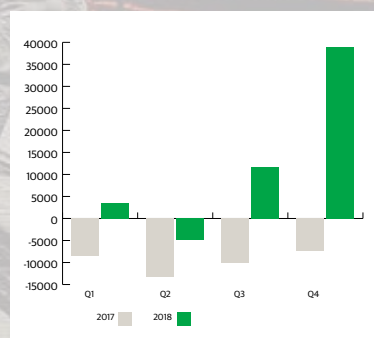
Net sales



Order intake



Cash flow



Significant events Q1

- » 16 Jan - Sensys Gatso appoints new CFO and CCO
- » 24 Jan - Sensys Gatso wins 5-year contract for managed services in Ohio, US, the value is estimated to SEK 5 million
- » 5 Feb - Sensys Gatso receives an order from Qatar worth SEK 10 million
- » 7 Feb - Sensys Gatso has decided to fully provision with SEK 5 million on an outstanding receivable regarding projects deliveries in the Middle East from 2016.
- » 23 Feb - Sensys Gatso wins procurement contract in Finland, estimated value SEK 30 million.
- » 22 Mar - Sensys Gatso receives an order for in-vehicle traffic enforcement systems from the Middle East, potential order value of EUR 10 million, corresponding to SEK 100 million

Significant events Q2

- » 3 Apr - Sensys Gatso is granted contract extension in Tuscaloosa, Alabama, estimated contract value over three years USD 0.580 million.
- » 3 Apr - Sensys Gatso receives contract extension in Maitland, Florida, estimated contract value of USD 0.620 million over three years.
- » 24 Apr - Sensys Gatso receives contract extension in Winter Park, Florida, estimated contract value of just over USD 1 million over three years.
- » 2 May - Order from Australia worth SEK 9 million
- » 2 May - Iowa, US, Supreme Court, reverses 2017 decision authorizing Iowa Department of Transportation to Regulate Cities' Automated Traffic Enforcement Cameras.
- » 7 May - The State of Iowa, US, passes top priority bills and closes 2018 legislative session.
- » 11 May - Sensys Gatso receives contract extension from Australia worth AUD 2.5 million
- » 17 May - Resolutions from the AGM
- » 21 May - Sensys Gatso signs contract for traffic safety in Finland, estimated value up to SEK 30 million over three years
- » 28 May - Sensys Gatso wins Managed Services contract for Upper Marlboro, Maryland worth estimated SEK 9 million
- » 28 May - Sensys Gatso receives award for traffic safety in Belgium. The procurement award is estimated to be worth up to SEK 27 million
- » 7 Jun - Sensys Gatso receives a procurement award for Point-to-Point systems in the Netherlands of SEK 66 million
- » 22 Jun - Sensys Gatso wins managed services takeover contract in New Miami, OH, US, worth estimated SEK 18 million over five years

Significant events Q3

- » 16 Jul - Sensys Gatso wins managed services contracts take-over, estimated value SEK 8 million.
- » 16 Jul - Sensys Gatso signs framework agreement for point-to-point solution in the Netherlands. Add-on agreement to the framework agreement that was signed on June 7.
- » 18 Jul - Sensys Gatso receives order worth SEK 12 million with an opportunity of more from Australia

- » 18 Jul - Sensys Gatso receives order worth SEK 25 million in Australia
- » 25 Jul - Sensys Gatso wins managed services contracts worth SEK 8 million
- » 2 Aug - Sensys Gatso receives an order from Australia worth SEK 5,9 million
- » 21 Aug - Sensys Gatso has received an additional order for in-vehicle safety systems worth EUR 1.5 million, corresponding to SEK 16 million, from France.
- » 22 Aug - The Speed Enforcement program in Iowa resumes.
- » 10 Sep - Sensys Gatso Group has carried out conversion of a vendor note which has resulted in a change in the number of shares and votes in Sensys Gatso Group. After the conversion there are in total 860,024,407 shares in the company, entitling to a total of 860,024,407 votes.
- » 13 Sep - Sensys Gatso appoints new General Manager for the Swedish subsidiary Sensys Gatso Sweden AB
- » 24 Sep - Sensys Gatso delivers in-vehicle enforcement systems to Saudi Arabia, first order of SEK 66 million in the framework agreement from March 22, 2018.

Significant events Q4

- » 2 Oct - Sensys Gatso wins Managed Services contract in Germany worth estimated SEK 5 million over five years.
- » 9 Oct - Sensys Gatso wins order from Australia worth SEK 5.8 million.
- » 26 Oct - Sensys Gatso gets the green light to turn on its Uninsured Vehicle Enforcement Diversion (UVED) managed services program in Oklahoma, US.
- » 29 Oct - Nomination Committee appointed for Annual General Meeting 2019 and information about the AGM
- » 31 Oct - Sensys Gatso receives Finnish order worth 0.56 MEUR.
- » 28 Nov - Sensys Gatso has been awarded the Low Emission Zone enforcement contract in the city of Amsterdam worth SEK 6 million
- » 3 Dec - Sensys Gatso may experience some interruptions in deliveries for the remaining of 2018 due to fire at supplier
- » 4 Dec - Sensys Gatso Group launches FLUX, the unprecedented, scalable traffic enforcement platform for the future
- » 17 Dec - Sensys Gatso USA has been awarded a School Zone speed contract worth SEK 32 million
- » 19 Dec - Sensys Gatso receives order from the Swedish Transport Administration worth SEK 50 million
- » 21 Dec - Sensys Gatso receives contract extension from Australia worth SEK 4.5 million
- » 28 Dec - Sensys Gatso receives an order from Croatia worth SEK 8.9 million



Comments from the CEO:

A year of focus and innovation

2018 became a very active and exciting year for Sensys Gatso, with several important milestones passed. Just to mention a few: We launched our new platform FLUX, which completes our software solutions PULS and Xilium. We also saw a break-through with the start of a new business vertical for our managed services business in the US market. Moreover, we clearly see how our focus on sales was effective, resulting in an all-time-high order intake. To conclude, with our scalable software and hardware, we have moved forward considerably, developing our total solution proposition. We call it Traffic Enforcement as a Service.

Who we are

I will elaborate further on these milestones in just a moment, but first I would like to say a couple of words on "Our Purpose". Why are we here? Simply put: We exist to make traffic safer. We all know people make mistakes when driving, for example being overconfident or not paying attention, and those mistakes have consequences. Around the world, more than 3,500 people die in traffic accidents every day. Sensys Gatso refuses to accept these fatalities, so we fight them every day - with our intelligent, effective and reliable enforcement solutions.

Sensys Gatso in its current structure was formed in 2015 with the merger of Swedish company Sensys and Dutch company Gatso. When you look at the merger of the two companies it was a perfect match, combining strengths and a mutual passion for saving lives in traffic. From Gatso comes our refusal to accept human measurement errors, starting with Maurice Gatsonides who invented the Gatsometer, the foundation for the modern speed camera. From Sensys comes our refusal to accept traffic crash victims as something unavoidable. Sensys was right there at the start of the implementation of the now world famous Vision Zero in Sweden.

Today, Sensys Gatso has become the leading provider of traffic safety solutions, delivering systems, software and services for automated traffic enforcement globally. We are guided by our mission to innovate,

delivering software and services which directly contribute to a safer and more sustainable traffic environment.

Complex markets

Our markets, however, are diverse and complex, with very different dynamics across the globe. In some countries, the driver is liable for traffic violations, while in others it's the owner of the vehicle who is liable. In some countries, procurement is centralized, while in others, it is decentralized. Moreover, supplier base, enforceability and cultural acceptance differ between regions. In all markets, however, we see influences, more or less, of megatrends such as the developments toward sustainable cities, big data and artificial intelligence.

All of these developments drive opportunities for our solution portfolio. In order to meet all of these different market conditions and customer needs, we are focused on designing flexible and scalable hardware and software solutions. Our marketplace is very competitive and is often tender-driven, with plenty of volatility across our global markets. To be competitive, win contracts and protect our margins, we need to remain lean and efficient in our organization.

The introduction of FLUX

Which brings me back to the milestones I mentioned initially. In December we launched our

new platform FLUX, which will eventually replace the products within the Swedish S- and Dutch T-series. The great strength of FLUX is that it seamlessly integrates with our existing software solutions PULS and Xilium. Our software works with other manufacturer's equipment, as well, making it easy for clients to switch to Sensys Gatso in the future. This means that we can now offer a complete, flexible and scalable solution for traffic enforcement. FLUX will definitely help us meeting an ever-changing and increasing demand going forward.

Traffic Enforcement as a Service

During 2018 we have worked hard to develop our Managed Services business, a strategic priority for Sensys Gatso. It is our strategy to grow this business beyond the US market. To create a better understanding of this solution and its advantages for our customers we have rebranded this segment to 'Traffic Enforcement as a Service'. There is no need to invest capital in hardware and service staff. Instead, Sensys Gatso provides all the hardware, software, services and updates, which gives the client a predictable operational cost, while still keeping full control over the validation of the citation.

We did particularly well in the USA in this business. After the Iowa court ruling in 2017, resulting in a temporary shutdown, three cities in the state of Iowa resumed their speed enforcement programs. By doing so, a stronghold in our US portfolio

was back online. In Oklahoma we achieved our second milestone with a major break-through. We started here with the innovative solution to enforce uninsured vehicles. This program is new to the United States and addresses a real and growing traffic safety issue, one that comes with a huge cost to the insured, compliant drivers and to the society in general. For us this is also a very important step; it is a whole new business vertical with 100% recurring revenue, managed through our existing back office infrastructure. We have initially incurred some costs and invested in our staff as well as in upgrades of our software solutions PULS and Xilium. But going forward, these contracts will contribute to our profitability.

Focus!

During 2018, our mantra was “focus on the right things”. A particular focus was given to sales and cost control. We can clearly see that this approach has been productive, resulting in a MSEK 53 improvement of our EBITDA. Our third important milestone in 2018 was that we delivered a record breaking order intake of MSEK 480. Our various enforcement solutions continued to gain high interest across the world. Worth mentioning is the increased demand and orders for our In-Vehicle solution, due to its high effectiveness. This resulted in repeat orders from France and new orders from the Middle East. Our order mix has clearly improved across various regions and solutions in 2018.

Ready for future growth

Looking ahead at 2019, we can see that our strong order book will help us keep our revenue momentum. We will continue our strategy to increase activities within Traffic Enforcement as a Service (TRaaS) to grow our recurring revenue base. Another important prerequisite for future success is to continue to innovate and fast. Our very scalable platform provides us with opportunities to diversify into new business verticals, like uninsured vehicles, parking enforcement and others.

Looking ahead even further, I believe we have good reasons to be optimistic about the future. We have a solid foundation in place: a strong brand, focused strategies, a committed team of people, and a global footprint. In short, we are well positioned and prepared for future growth.

“Looking ahead even further, I believe we have good reasons to be optimistic about the future.”



Ivo Mönnink
CEO, Sensys Gatso Group



Mission & strategy

Mission

Every year more than 1.3 million people die in traffic worldwide. To a large extent this is related to traffic behaviour and therefore avoidable. We find this unacceptable and we feel we can play an important role in changing this behaviour and save lives. That is our mission, which is shared with our customers and our employees.

Strategy

Our four-pillar strategy is focused on profitable top-line growth:

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



















Scalable software and flexible hardware

Diverse global market conditions and customer needs require scalable software solutions combined with flexible hardware. These needs are changing faster than ever. To address this, we launched FLUX in December. The great strength of FLUX is that it seamlessly integrates with our existing software solutions PULS and Xilium. This means that we can now offer a complete, flexible and scalable solution for traffic enforcement. This allows us to scale up much faster, targeting new customers and new verticals like uninsured vehicles, parking enforcement and un-defined areas.

Diverse global market dynamics drive our solution offering

Markets we are doing business in today

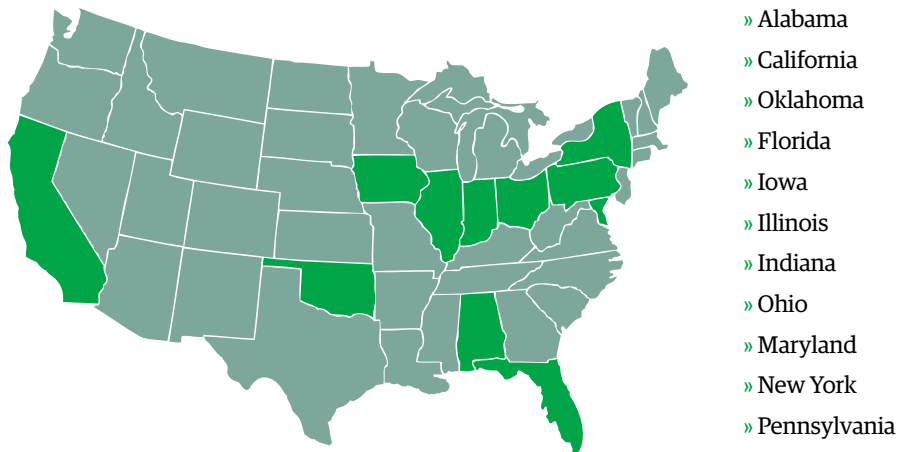
The market dynamics differ from market to market and drives our value proposition. The table below describes the diverse global market dynamics we operate in.

Region / Dynamics	Sweden	Netherlands	Rest of Europe	Middle East	Australia	USA
Type approval	Yes	Yes	Yes	No	Yes	No
Liability (driver or owner)						
Procurement (central or decentral)						
Supplier base	1	2+	2+	2+	2+	2+
Enforceability (high / medium / low)	H	H	H / M	M	M	H / M
Cultural Acceptance (like / dislike)						

Expansion in the US-market with TRaaS

In the US-market we already fully leverage our platform by providing a 100 percent Traffic Enforcement Service to our customers, including back-office functionality.

We have ongoing enforcement programs in 11 states in the US. Our ambition is to continue to grow in the US-market by entering into new states and cities and to introduce new business verticals outside speed and red-light enforcement.



Entry in new markets with Traffic Enforcement as a Service

Our fully integrated TRaaS solution is particularly suited for entry into new, less developed traffic enforcement markets. Here we offer our clients our vast experience with best practices on Traffic Enforcement implementations and PR strategies, obtained in more than 70 countries globally. In these markets we also see our customers showing more interest in moving from a traditional capital investment model to a model with only operating costs.

Extension of service scope in existing markets

Our system sales business operates globally either direct or through our subsidiaries, partner network and agents. It has become clear to us that as a solutions provider we need to be close to our end customers. Our main offering will be Traffic Enforcement as a Service, but for those markets that are not yet ready for this business model we will continue to deliver our hardware solutions, but with a greater service scope than before. In the markets where we have our equipment installed, we are expanding our service offering to increase the uptime and lifetime of our solutions. Maintenance and services will in the future be a more important part when customers want to buy our systems.

“Our mission is to save lives by changing driving behaviour.”



Traffic Enforcement as a Service

We do the work, you keep control.

Sensys Gatso introduces the next step in traffic enforcement

Sensys Gatso's unique new traffic enforcement solution is flexible, easily scalable, software oriented and future proof. Sensys Gatso introduces: Traffic Enforcement as a Service (TRaaS). Sensys Gatso will manage the entire process; from procurement and installation of the assets, to recording the violations and issuing the fine. All while the customer maintains full control and exclusive access into the functioning of the total system. With TRaaS, the customer can let Sensys Gatso do the work while they stay in control.

60 years of knowledge and experience in one service

Since the invention of the speed camera, Sensys Gatso has continued to develop more innovative hardware and software. The next logical step in the evolution of traffic enforcement is to provide an all-in-one solution based on our intelligent,

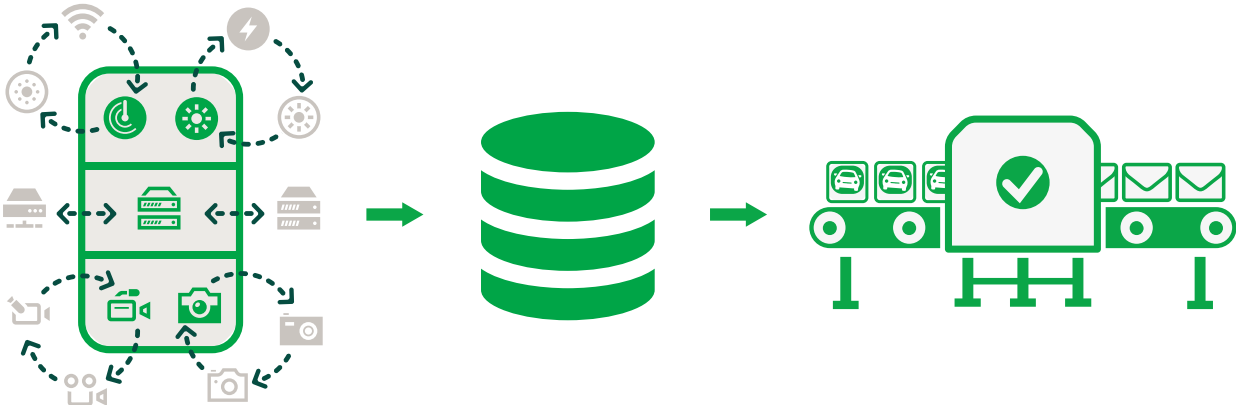
effective, and highly secure software platform. That's what happens when our FLUX, Puls and Xilium products are combined into a single service.

FLUX enables data generation, through our cameras and other sensors, into PULS; our collection and data analysis software. PULS then sends the data to Xilium, which supports the entire back office. Xilium handles the violations, generates the official report, sends out the fine, and manages the collection process. Throughout this entire process, the customer retains complete control and insight into the total process. All Sensys Gatso hardware and software components are perfectly harmonized with each other, so that the uptime of the complete system is maximized. The shorter the time between the violation and the receipt of the fine, the more effective the punitive measure is on the behavior of the traffic offender. Ultimately,

this adaptation of behavior will contribute to greater traffic safety and saves lives.

Traffic Enforcement as a Service: flexibility to the max

Currently, no solution is as flexible as TRaaS; customers choose whether they want to leave everything to us or only hand over certain parts. Next to that, the customer has total flexibility regarding its sensors' domain. Sensys Gatso's FLUX platform not only connects Sensys Gatso's own sensors, but is also perfectly compatible with sensor technology from other suppliers. FLUX is also designed to be configured with a multitude of cameras and sensors; including future sensor technology.



Flux | DATA GENERATION SENSORS

Puls. | DATA ANALYTICS SOFTWARE

XILIUM | BACKOFFICE PROCESSING SOFTWARE

The customer chooses which parameters it considers important to support its operations. For example, think about a service level agreement based on KPI's such as:

- » The number of offenses detected
- » The uptime percentage of the system
- » The reduction of violations over a certain period of time

Based on this set of requirements the Sensys Gatso traffic enforcement solution can be configured accordingly.

Of course, TRaaS complies with all regulations on data privacy.

Initial investment and maintenance included

Staying up to date or installing your (automated) traffic enforcement solution requires an investment. With TRaaS it's possible to include this investment in the service agreement. This means that Sensys Gatso will cover some or all of the up-front costs. The customer can then

settle the agreement in various ways, for instance through a percentage of the fine proceeds, allowing it to pay for itself over time.

With TRaaS, Sensys Gatso staff will ensure that the complete chain is functioning around the clock. Our PULS software will constantly monitor for potential malfunctioning as well as any direct failures that need support in order to maintain the agreed SLA's. To maximize uptime, regular updates and upgrades will be executed by the Sensys Gatso staff.

Quick optimizations and innovation

It is important that the system functions optimally. Ongoing system optimizations and innovations offer advantages for both parties. Customers will get up-to-date services and enjoy the benefits of the latest technology Sensys Gatso has to offer, providing a cost-effective solution. This ensures the customer gets a service that it can trust and build on in the future.

Optimization of staff

All daily maintenance and management of the systems and software is taken care of by the experienced Sensys Gatso staff. This eliminates the need for customers to recruit and retain staff. This means that the customers' enforcement staff can be deployed where it's considered most needed.

More than 10 years of experience

TRaaS is not just another clever buzzword, it has already been put into practice by Sensys Gatso. In the USA, Sensys Gatso has been supplying TRaaS to various authorities for more than 10 years with a very high level of customer satisfaction. With TRaaS, everything from capturing the violation to sending out the fine and collecting the funds is fully managed. Product upgrades and system maintenance is managed as well. This proven service model has been in use by U.S. government clients and is ready to be rolled out across the globe.

We are committed to improving traffic behaviour, everywhere.

The Market

Traffic Safety on the political agenda

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

Some astonishing facts:

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

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

The WHO is embracing the Safe System approach: accommodating human error. The Safe System approach to road safety aims to ensure a safe transport system for all road users. Such an approach takes into account people's vulnerability to serious injuries in road traffic crashes and recognizes that the system should be designed to be forgiving of human error. The cornerstones of this ap-

proach are safe roads and roadsides, safe speeds, safe vehicles, and safe road users, all of which must be addressed in order to eliminate fatal crashes and reduce serious injuries.

Speeding

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

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

Vision Zero

It was the Swedish Government that started in 1997 the program by the name of Vision Zero. The main objective (vision) of the program is to have zero fatalities amongst the road users. Any other figure would be considered inappropriate in the sense that the government and the people accept that people die on roads.

Vision Zero is based on an underlying ethical principle that "it can never be ethically acceptable that people are killed or seriously injured when moving within the road transportation system". As an ethics-based approach, Vision Zero functions to guide strategy selection and not to set particular goals or targets.

In most road transport systems, road users bear complete responsibility for safety. Vision Zero changes this relationship by emphasizing that responsibility is shared by transportation system designers and road users

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

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

Education

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

Engineering

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

Emergency Services

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

Enforcement

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

Sensys Gatso's contribution

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

International recognition

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

Road Safety Market

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

The road safety market gradually

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

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

Therefore, according to global market research figures, the road safety market size is expected to grow from USD 2,8 billion in 2018 to USD 4,4 billion by 2023, at a Compound Annual Growth Rate (CAGR) of 9.8% during the forecast period.

This number consists of all solutions and products offered in the field of enforcement, automatic number plate recognition and incident detection & response.

Customers & Markets

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

When governmental institutes decide to procure a certain solution or technology, this will typically lead to a public procurement or tender

process. Tender processes have strict rules and serve to give equal opportunities to obtain contracts for the bidders. Tenders have different phases such as e.g. pre-qualification rounds, references check, compliance on technology and requirements, final bidding and awarding. It is therefore that tenders are taking up quite some time before contracts are awarded. Even after contract award, other bidders have the right to legally challenge the award decision, which might lead to postponing the implementation of the project.

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

Sensys Gatso Solutions

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

Sources:

Road Safety Market - Global Forecast to 2023 by MarketsandMarkets

Reducing Speed in Europe - February 2019

<https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries>

<https://www.trafikverket.se>





Sustainability Report

The ability to see the big picture

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.

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

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

Sustainable cities

Our view is that Sensys Gatso is working in an industry that is in the beginning of a major change. Digitalization and an increased awareness of sustainable issues in society have changed the way people think, live and work. Also, the world is urbanized and people are constantly connected.

We see trends where the young people of today in metropolitan areas no longer want to own a car, but instead just rent it when necessary. We are talking about Car-to-go and Uber. At the same time more and more people are moving into the larger cities.

When the world is changing around us, we need to stay one step ahead, 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 our customers today are traffic safety authorities with safety on their agenda. At the same time we see a trend where future customers will be cities / 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

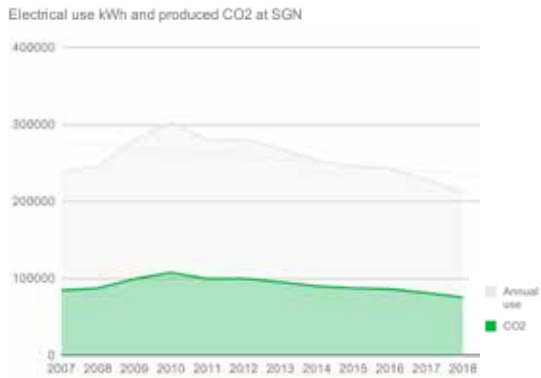
Environmental issues are always central when developing new products, and improving existing ones. It's also an essential part of how our employees think and act. A business trip from one country to another can easily be replaced with a virtual meeting.

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 14001:2015 standard, and for this entity we have yearly KPI's for usage of water, energy and gas and CO2 emission. The trend from 2012 is a steady decrease on all KPI's;





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 14001:2015 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 Vision Zero concept. As the concept evolves, we are committed to the Vision Zero initiatives. We take leadership and are part in creating 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, ethnic origin, age, and religion. 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 2018 all subsidiaries have stayed within the same average percentage of sick days as previous years, being 2 - 4%.

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 2018 we have seen a continued higher risk 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 included this area in the interviews with individual employees and risk analyzes and for 2018 we have had particular focus on this area during our risk assessment in the working environment.

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.

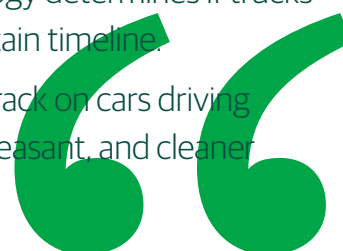
With some larger customers the company has a written understanding of the basis for the collaboration to insure there is no risk of misunderstanding the code of conduct between the company and the customer.

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

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

In 2019 all employees will attend an online education on anti-corruption to continuously keep Anti-corruption top of mind with our employees.

"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 2018 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.

Stockholm April 9th 2019

BDO Mälardalen AB

Johan Pharmanson

*Authorised Public Accountant
Auditor in Charge*



Sensys Gatso Group share information

Sensys Gatso's share is listed on Nasdaq Stockholm's Small Cap list. As at 28 December 2018, the share capital amounted to TSEK 43.001 divided into 860,024,407 shares.

Each share gives the right to one vote.

Share performance

The highest price paid for Sensys Gatso shares during the year was SEK 2.98 (24 Sept, 2018) and the lowest price paid was SEK 0.98 (21 Feb, 2018). The closing price paid on 28 Dec, 2018 was SEK 1.82 (1.53).

In 2018, a total of 1,491,203,032 (915,495,761) Sensys Gatso shares were traded on the Stockholm Stock Exchange. At the end of the year, the market capitalisation amounted to SEK 1.565 million (1.293).

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.

Conversion of vendor loan into new shares, September 2018

In connection with the acquisition of Gatso Beheer in 2015 a vendor note of approximately EUR 6.8 million was issued as part of the consideration. As stated in the press release issued on June 23, 2015 the vendor loan may under certain circumstances be converted into new shares in Sensys Gatso Group. The first instalment of EUR 3 million of the vendor loan fell due on July 31, 2018. Approximately EUR 1.6 million of this instalment was still outstanding and has now, in accordance with the terms and conditions of the vendor loan, been converted into 15 110 738 new shares to be issued to Gatso Special Products. The conversion price amounted to SEK 1.1583 per share.

After the conversion there are in total 860,024,407 shares in the company, entitling to a total of 860,024,407 votes.

The 20 largest shareholders

The shares in Sensys Gatso Group AB were held as of 28 December 2018 as follows:	Number of shares	Proportion of share capital/votes %
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)*	164,247,615	19.10 %
Försäkringsaktiefbolaget, Avanza pension Wall, Per	37,184,708	4.32 %
Bergstrand, Inger	23,000,000	2.67 %
Nordnet Pensionsförsäkring AB	21,004,714	2.44 %
State Street Bank & Trust com., BOSTON	14,953,103	1.74 %
Swedbank Försäkring	9,000,000	1.05 %
SEB Investment Management	8,934,646	1.04 %
Hamberg, Per Gudmund	8,393,425	0.98 %
Skandia, Försäkrings	7,312,456	0.85 %
BNY Mellon SA/NV (Former BNY), W8IMY	6,666,482	0.78 %
Ståhlgren, Hans Edvin	6,225,778	0.72 %
Arding language Services Aktiefbolag, Arding Lang	5,530,000	0.64 %
Danica Pension	5,000,000	0.58 %
Kihlberg, Jan	4,566,598	0.53 %
NTC VARIOUS FIDUCIARY CAPACIT	4,306,665	0.50 %
STATE STREET BANK AND TRUST CO, W9	3,984,256	0.46 %
Berger, Gunvald	3,930,187	0.46 %
Hjalmarsson, Per	3,326,273	0.39 %
Segenmark, Dan	3,314,283	0.39 %
	3,250,000	0.38 %
Total, 20 largest shareholders	344,131,189	40.02 %
Total, other shareholders (20,586)	515,893,218	59.98 %
Total	860,024,407	100.00 %

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

Shareholder categories	Capital %	Votes %
Foreign shareholders	27.0	27.0
Swedish shareholders	73.0	73.0
whereof		
- Legal Entities	15.7	15.7
- Natural Persons	57.3	57.3

Ownership concentration	Capital %	Votes %
The 10 largest shareholders	34.7	34.7
The 20 largest shareholders	39.4	39.4
The 100 largest shareholders	52.3	52.3

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 2018.

Sensys Gatso Group's operations

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

Legal structure

Sensys Gatso Group consists of Sensys Gatso Group AB (publ) and the wholly-owned subsidiaries Sensys Gatso Sweden AB and Sensys Gatso Netherlands BV. For additional information see note 33.

Sales and earnings

Net sales for the full year was SEK 380.3 million (293.1). The gross margin was 42.5 percent (39.6). Profit/loss before tax amounted to SEK -1.1 million (-65.3). Profit/loss after tax was SEK -2.5 million (-61.8). 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 453.7 million (420.1), producing an equity/assets ratio of 71.8 percent (67.3). Cash and cash equivalents amounted to SEK 76.6 million (58.9) at the end of the year. Cash flow from operating activities during the year totalled SEK 49.3 million (-39.3).

Share data and key ratios

Earnings per share were SEK 0.00 (-0.07) and equity per share was SEK 0.53 (0.50). The equity/assets ratio at year-end was 71.8 percent (67.3).

Employees

The average number of employees were 162 persons (154). The number of employees at the end of the period were 195 (167), whereof a part being part-time employees. For additional information see note 2.

Environmental issues

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

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

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

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

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 2018 SEK 5.1 million (4.0) has been capitalized for the development of the new platform FLUX and other solutions.

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

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

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

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

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

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

Salaries and remuneration of the CEO and other senior executives for 2018 are listed under note 2.

These guidelines are also proposed for the coming year.

Risks

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

Sensys Gatso share information

There are no limitations on the right to assign shares of Sensys Gatso Group (first refusal), nor are there any limitations on how many votes each shareholder may cast at general shareholders' meetings. The company is not aware of any agreements between shareholders which could entail a limitation on the right to assign shares. The single largest shareholder is BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) with 164,247,615 shares. 163,000,000 of these shares are held by Gatso Special Products BV, with 18.95 % of total shares (17.6). For more information, see page 21, Sensys Gatso Group share information and ownership structure.

The annual general meeting in May 2018 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 2018.

Appointment and dismissal of Board members

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

Parent company

Sensys Gatso Group AB has transferred its business operations as of January 1st 2017 to the fully owned subsidiary Sensys Gatso Sweden AB. 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 6.0 million (6.3) and profit before taxation amounted to SEK -9.8 million (-14.4).

Outlook for 2018

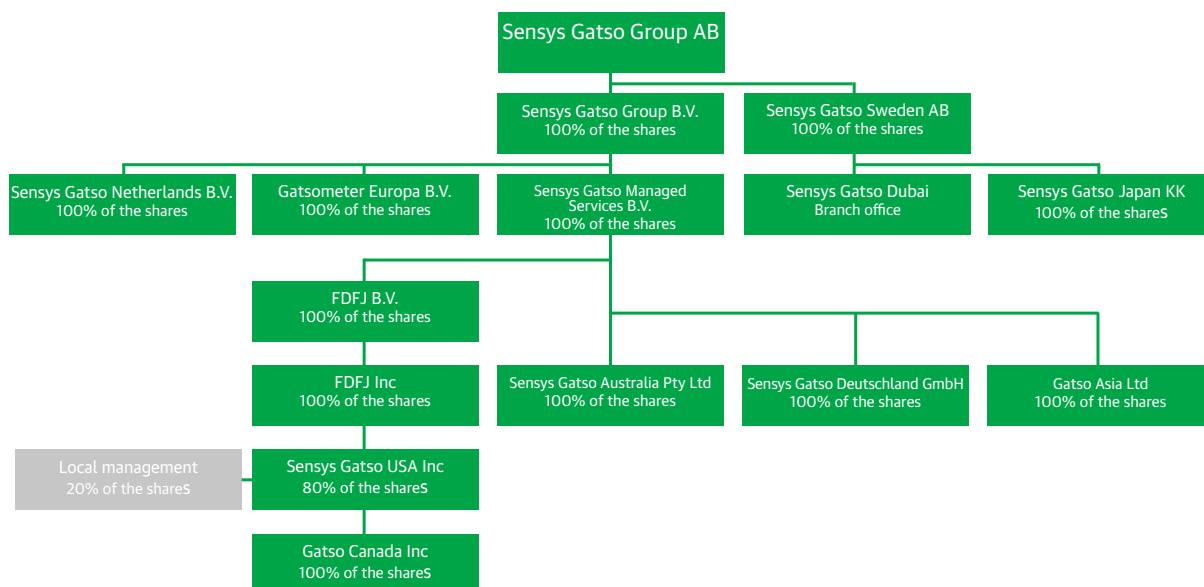
Uncertainty regarding lead times and the extent of such orders means that Sensys Gatso Group does not submit a sales forecast.

Proposed appropriation of profit or loss

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

Share premium reserve	397,379
Retained earnings	-6,515
Result for the year	-11,122
Total TSEK	379,742

The Board of Directors proposes that no dividend will be paid for 2018 and the profits to be carried forward.







Financial performance

A five-year summary

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

INCOME STATEMENT	2018	2017	2016	2015	2014
Sales	380,349	293,094	436,607	397,825	160,580
Operating expenses	-379,760	-347,869	-459,848	-349,122	-126,027
Operating profit/loss	589	-54,764	-23,241	48,703	34,553
Financial items	-1,685	-10,552	-6,724	-1,422	517
Profit/loss before tax	-1,096	-65,316	-29,965	47,281	35,070
Income tax	-1,376	3,470	5,581	-6,352	-7,776
Profit/loss for the year/Total profit/loss	-2,472	-61,846	-24,384	40,929	27,294

BALANCE SHEET	2018	2017	2016	2015	2014
Noncurrent assets	404,160	403,596	449,635	462,413	42,798
Current assets	227,502	220,671	159,848	313,144	135,323
Total assets	631,662	624,267	609,483	775,557	178,121
Shareholders' equity	453,689	420,072	386,623	387,352	141,264
Noncurrent liabilities	67,949	87,111	116,025	147,366	2,221
Current liabilities	110,024	117,084	106,835	240,839	34,636
Total shareholders' equity and liabilities	631,662	624,267	609,483	775,557	178,121

DATA PER SHARE	2018	2017	2016	2015	2014
Earnings per share 31 Dec, SEK	0.00	-0.07	-0.04	0.07	0.05
Shareholders' equity per share, SEK	0.53	0.50	0.59	0.59	0.26
Dividend per share, SEK	0	0	0	0	0
Share price 31 Dec, SEK	1.82	1.53	1.41	3.61	0.81
P/E ratio	Neg	Neg	Neg	51.6	16.2
Number of shares at end of period before full conversion ¹⁾ , thousands	860,024	844,914	657,155	657,155	541,234
Number of shares at end of period after full conversion ¹⁾ , thousands	860,024	844,914	657,155	657,155	541,234
Average number of shares during the period before full conversion ¹⁾ , thousands	848,691	673,102	657,155	589,826	541,234

¹⁾ 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.



“We strongly improved our financial position in 2018.”



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

KEY FIGURES AND RATIOS	2018	2017	2016	2015	2014
EBITDA	37,562	-15,864	25,347	75,651	35,419
Adjusted EBITDA	37,562	-15,864	29,446	75,651	35,419
Gross margin, %	42.5%	39.6	33.6	41.7	49.4
Operating margin, %	0	Neg	Neg	12.2	21.60
Net margin, %	0	Neg	Neg	10.3	21.50
Equity/assets ratio, %	71.8	67.3	63.4	49.9	79
Return on equity, %	Neg	Neg	Neg	15.5	21.3
Interest-bearing liabilities	58,891	82,353	99,174	214,665	0
Net interest bearing debt	-17,716	23,422	67,531	97,301	N/A
Cash flow for the year	17,527	26,099	-39,130	-1,183	31,290
Order intake	480,284	348,918	199,858	292,408	166,243
Average number of employees (FTE)	162	154	151	178	40

Definitions of key figures and ratios

Operating margin

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

Net margin

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

Equity/assets ratio

Adjusted equity as a percentage of total assets.

Risk-bearing capital

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

Net interest bearing debt

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

EBITDA

Operating profit before depreciation.

Adjusted EBITDA

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

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

FIVE YEAR SUMMARY PARENT COMPANY

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

	2018	2017	2016	2015	2014
Sales	6,041	6,276	118,749	190,284	160,580
Profit/loss before tax	-9,780	-14,422	-17,207	38,543	35,070
Total assets	493,492	502,766	496,907	569,848	178,121
Average number of employees (FTE)	1	1	35	40	40

Corporate Governance Report 2018

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 2018 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.



Shareholders and General Meetings of Shareholders

The shareholder's rights to decide on Sensys Gatso Group's affairs are exercised at the Annual General Meeting (AGM), or when applicable extraordinary general meeting, which is the company's highest decision-making body. The AGM is to be held no later than six months after the end of the financial year and is usually held in April / May. At the AGM, the shareholders elect the company's Board of Directors, appoint external auditors, and decide on their fees. Furthermore, the AGM resolves on whether to adopt the income statements and balance sheets, to approve the appropriation of the company's profit and to discharge the Board and CEO from its liabilities. The AGM also resolves on the composition of the Nomination Committee 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 20,606 (21,012). The largest individual shareholder is BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) (Gatso Special Products BV) with a total of 18.95 percent (17.6). For more information on the ownership structure, share capital, share price, etc, kindly notice the Sensys Gatso share on page 21.

Annual General Meeting

The 2018 AGM was held on May 17th in Jönköping. A total of 24 (34) shareholders were presented at the meeting, representing 27.3 per cent (21.8) of the votes. The CEO informed about the position of the company and commented on the results for 2017, and the first quarter of 2018. 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 2017 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.

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 2018 was appointed based on the ownership structure as per 30 September 2017 and then known changes.

The nomination committee has consisted of Jan Johansson (appointed by Inger Bergstrand), Per Wall, Timo Gatsonides (for own and others' holdings) and Claes Ödman (in his capacity as chairman of the company). Timo Gatsonides has

been appointed Chairman of the nomination Committee. No remuneration has been paid for the work of the nomination committee.

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

All shareholders are entitled to approach the nomination committee with proposals for the AGM. No such proposals were received before the AGM in 2018.

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 2018, BDO AB was appointed as auditor with Johan Pharmansson as the auditor in charge. In February 2019 Johan Pharmansson personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2018.

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

Remuneration to the auditors in 2018, was paid in accordance with the table in note 21.

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 2018 AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nomi-

nating 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 2018 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 organizational issues and rules and policies. The BoD is informed of the company's operations partly through monthly reports provided by the CEO, and partly through their own work. Informal contact is also maintained among the members of the Board. Normally, nine board meetings are held each year whereof one statutory board meeting in conjunction with the AGM. Four of the board meetings are held prior to the publication of interim reports and four board 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 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 2018

The Board held 15 minutes meetings during the financial year (19). 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 four meetings were held with strategic focus.

CEO took part in all the Board meetings to present the reports. During 2018, the CEO of Sensys Gatso Sweden AB has 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:

The Nomination Committee ahead of 2018 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes	Member of the Nomination Committees since
Per Wall	for own holdings	23,000,000	2017
Jan Johansson	Inger Bergstrand	21,004,714	2014
Timo Gatsonides	for own holdings	163,000,000	2015
Claes Ödman	Chairman of the Board	471,818	2016

- » Capitalization
 - Liquidity forecasting
 - One Bank Solution
- » The strategic focus of the operations
 - Interim reports and annual accounts
 - Budget
 - Taxes and transfer Pricing
- » Strategies, financial plans and forecasts
 - Follow up on external audit
 - Business plan
- » Policies and instructions
 - Review of the Group's policies and instructions
 - Introduction of new policies among others Anti-Bribery policy

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, in consultation with the other Board members, takes responsibility for, and makes decisions, concerning the salaries and incentive programs of the CEO and group management on the basis of policies determined at the Annual General Meeting.

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

CEO and Group Management

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

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

At year-end the management team for the Group consisted of Ivo Mönnink (CEO), Simon Mulder (CFO), Timo Gattsonides (CTO) and Joris Lampe (CCO).

Management of subsidiaries

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

Board of Directors, as per year end 2018

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Claes Ödman	15/15	1965	2016	400,000	471,818	Swedish	Chairman of the Board	independent
Kerstin Sjöstrand	15/15	1958	2016	200,000	28,542	Swedish	Board member	independent
Pia Hofstedt	15/15	1961	2016	200,000	128,570	Swedish	Board member	independent
Ingemar Skogö	13/15	1949	2011	200,000	97,138	Swedish	Board member	independent
Katarina Staaf	15/15	1967	2016	200,000	60,000	Swedish	Board member	independent
Jochem Garritsen	15/15	1972	2015	200,000	32,142	Dutch	Board member	independent

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

Code of Conduct

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

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

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

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

Equality and diversity policy

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

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

REMUNERATION TO THE MANAGEMENT AND THE BOARD

Guidelines for remuneration

Remuneration to the CEO and other group management consists of basic salary, variable remuneration, other benefits and pensions. The balance between basic salary and variable remuneration is to be in proportion to the employee's responsibilities and authority. For the CEO, annual variable remuneration is capped at six months' salary. For other group management, annual variable remuneration is also capped at six month's salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for turnover and operating profit. 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 2018, remuneration was paid in accordance with note 2.

Remuneration to the Auditors

In 2018 remuneration to the auditors was paid in accordance with note 21.

INTERNAL CONTROL AND FINANCIAL REPORTING

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

Financial reporting to the Board

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

Risk assessment

The financial risk assessment is mainly related to the potential for material misstatement in the reporting of the company's financial position and performance. To minimize these risks, governing documents have been established for accounting, procedures for annual reporting and follow-up of reported annual accounts. In addition, the management works continuously to identify and manage significant risks effecting the financial reporting. During 2018 the board approved the Risk Policy and the Financial Policy which was implemented during the year.

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

Control activities and follow-up

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

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

the company, having access to inside information concerning the company (so-called logbook).

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

Activities in 2018

During the year, focus has continued to be 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 Group's shares have been listed on the Stockholm Stock Exchange since 2001. Sensys Gatso has a share capital of SEK 43.0 (42.2) million. The number of outstanding shares in Sensys Gatso at year-end was 860,024,407 (844,913,669) and the number of shareholders totaled 20,606 (21,012). All shares carry the same vot-

ing rights and entitle the holder to the same share of the company's earnings and capital. As detailed on page 21, the company has one shareholder (Gatso Special Products BV) with number of shares that exceeds 10 percent of the company's total number of shares. Also for 2018 BNP PARIBAS SEC SERVICES (Gatso Special Products BV) was the largest shareholder with 18.95 % 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.



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, Lunds Universitet

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, Enskilda Högskolan i Stockholm AB.

Shareholding: 97,138 shares.



KATARINA STAAF
BOARD MEMBER

Born: 1967

Board member since 2016.

Education: Degree in Financial Economics, School of Business, Economics and Law at Gothenburg University.

Background: Executive Search Consultant at Poolia Executive Search. Former Head of Finance and Real Estate and member of Group committee at Riksbyggen, Managing Director of Evli Funds AB and Portfolio Manager at Skandia and SEB.

Other directorships: 6th National Pension Fund, Länsförsäkringar Fund Management AB, FastPartner AB (publ), Entra ASA and Staaf & Partners AB.

Shareholding: 60,000 shares.

Senior executives



IVO MÖNNINGK
CEO

Born: 1962

Employed since 2017.

Education: Master in Business Economics, Erasmus University Rotterdam.

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

Other 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.



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.



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: 163,000,000 shares*.

* indirect shareholding via a family holding company



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.

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

www.sensysgatso.com

Group

Statement of Income and other comprehensive income

TSEK	Note	2018	2017
Net sales	1, 3	380,349	293,094
Cost of goods sold		-218,834	-176,910
Gross profit		161,515	116,184
Selling costs		-75,098	-83,528
Administrative costs	21	-38,579	-40,266
Development costs		-46,176	-47,105
Other operating costs		-1,073	-49
Operating profit/loss	2, 4, 6, 7	589	-54,764
Profit/loss from financial investments	8		
Interest income/foreign exchange gains		4,231	7,845
Interest expense/foreign exchange loss		-5,916	-18,297
Profit/loss before tax		-1,096	-65,316
Income tax for the year	5	-1,376	3,470
Profit or loss for the year	24	-2,472	-61,846
Profit attributable to owners of Sensys Gatso Group AB		-1,897	-58,067
Profit attributable to non-controlling interest		-575	-3,779
		-2,472	-61,846
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Translation differences		18,587	-3,041
Total other comprehensive income for the period, net after taxes		18,587	-3,041
Total comprehensive income for the period		16,115	-64,887
Total comprehensive income attributable to owners of Sensys Gatso Group AB		16,679	-60,569
Total comprehensive income attributable to non-controlling interest		-564	-4,318
		16,115	-64,887
Earnings per share before dilution		0.00	-0.07
Earnings per share after dilution		0.00	-0.07
Proposed dividend per share		-	-
Average number of outstanding shares before dilution, thousands		844,914	673,102
Average number of outstanding shares after dilution, thousands		848,691	844,914
Number of outstanding shares, thousands		860,024	844,914

Group

Balance Sheet

TSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS			
INTANGIBLE FIXED ASSETS	9		
Goodwill		251,257	239,166
Brand		24,076	16,191
Customer contracts and Customer relations		14,654	35,459
Product and software development		34,399	38,879
		324,386	329,695
TANGIBLE FIXED ASSETS	10		
Leasehold improvement		3,367	2,105
Furnitures, fixtures, etc		5,299	5,139
Fixed assets in operation		33,340	27,856
		42,006	35,100
FINANCIAL FIXED ASSETS			
Deferred tax assets	11	37,417	38,439
Other noncurrent assets		351	361
		37,768	38,800
TOTAL NON CURRENT ASSETS		404,160	403,596
INVENTORIES	12		
Raw materials and consumables		-	3,328
Production in progress		38,251	12,415
Finished products and goods for resale		33,613	46,767
		71,864	62,510
OTHER CURRENT ASSETS			
Trade receivables	13	56,935	71,322
Current tax assets		4,651	9,429
Other receivables		670	2,304
Prepaid expenses and accrued income	14	16,775	16,176
		79,031	99,231
CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	76,607	58,931
		76,607	58,931
TOTAL CURRENT ASSETS		227,502	220,672
TOTAL ASSETS	16, 17, 22, 23, 24	631,662	624,267

Group

Balance Sheet

TSEK	Note	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	36		
Share capital		43,002	42,246
Other contributed capital		422,594	405,848
Other reserves		27,293	9,079
Retained earnings incl net profit for the year		-39,936	-38,400
		452,953	418,773
Non-controlling interest		736	1,299
TOTAL SHAREHOLDERS' EQUITY		453,689	420,072
LIABILITIES			
NON CURRENCT LIABILITIES			
Borrowings	15	-	252
Other provisions	19	2,433	3,664
Deferred tax liabilities	11	16,824	23,226
Liabilities to shareholders	18	48,692	55,908
TOTAL NON CURRENCT LIABILITIES		67,949	83,050
CURRENT LIABILITIES			
Borrowings	15	-	10,200
Liabilities to shareholders	18	10,199	15,993
Other provisions	19	7,050	4,061
Trade payables		27,996	30,692
Current tax liabilities		-	6,866
Other liabilities		5,396	75
Prepayments from customers		31,866	21,309
Accrued expenses and deferred income	20	27,517	31,949
		110,024	121,145
TOTAL LIABILITIES		177,973	204,195
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	16, 17, 22, 23, 24	631,662	624,267

Group

Statement of Changes in Shareholders' equity

	Share capital	Other contributed capital	Other reserves	Retained earnings	Non- controlling interest	Total shareholders' equity
Shareholders' equity 1 Jan 2017	32,858	316,900	11,581	19,667	5,617	386,623
Net profit of the year				-58,067	-3,779	-61,846
Other comprehensive income			-2,502		-539	-3,041
New share issue	9,388	93,879				103,267
Share issue costs		-4,931				-4,931
Shareholders' equity 1 Jan 2018	42,246	405,848	9,079	-38,400	1,299	420,072
Net profit of the year				-1,897	-575	-2,472
Other comprehensive income			18,215		11	18,226
New share issue	756	16,746				17,502
Stock related remunerations				361		361
Shareholders' equity 31 Dec 2018	43,002	422,594	27,294	-39,936	735	453,689

	Before dilution	After dilution
Number of shares at beginning of year	844,914	844,914
Conversion of Vendor Loan	-	15,110
Number of shares at end of year	844,914	860,024
Weighted average number of shares	844,914	848,692
Profit attributable to owners of Sensys Gatso Group AB	-1,897	-1,897
EARNINGS PER SHARE	0.00	0.00

Group

Cash Flow

TSEK	2018	2017
Operating activities		
Operating profit/loss	589	-54,764
Adjustments for non-cash items		
Depreciation and amortisation	36,973	38,900
Movement in warranty provision	-3,309	-1,742
Other non cash items	793	3,267
Adjustments for non-cash items	34,457	40,425
Interest paid	-2,312	-4,754
Exchange rate effects	1,826	4,648
Income taxes paid	-311	766
Cash flow from operating activities before changes in working capital	34,249	-13,679
Cash flow from changes in working capital		
Trade receivables	14,397	-13,489
Inventories	-9,354	-17,873
Trade payables	-2,699	9,618
Other changes in working capital	12,713	-3,827
Cash flow from operating activities	49,306	-39,250
Investing activities		
Investments in intangible assets	-5,088	-4,392
Investment in tangible assets	-16,225	-8,611
Cash flow from investing activities	-21,313	-13,003
Financing activities		
New share issue	-	92,130
Costs for share issue	-	-4,931
Repayments of Leases and Bank loans	-266	-18,896
Repayments on credit facilities	-10,200	10,049
Movement in liabilities to shareholders	-	-
Cash flow from financing activities	-10,466	78,352
Cash flow for the year	17,527	26,099
Cash and cash equivalents at beginning of the year	58,931	31,643
Translation on liquid funds	149	1,189
Cash and cash equivalents at end of the year	76,607	58,931

*The Other non cash items in 2017 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 2017 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 recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries are adjusted to conform to the Group's accounting principles.

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

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

Inter-company sales

Inter-company sales are eliminated in the consolidated accounts.

TRANSLATION OF FOREIGN CURRENCIES Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the

primary economic environment in which the entity operates (the functional currency).

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

Transactions and balance-sheet items

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

Subsidiaries

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

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

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

REVENUE RECOGNITION

Goods

The group earns the majority of its revenues from the sale of goods. It predominantly manufactures and assembles those goods to specific orders, but also retains some finished goods for speculative sale. For the majority of its contracts the group recognises revenue at a point in time, typically on delivery of the goods to customers' premises or at the point of shipping. However, in a minority of contracts, typically for more bespoke orders, the group also recognises revenue as an order progresses through the

manufacturing process, depending on milestones in a contract and performance obligations identified.

Services

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

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

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

Other operating income

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

Interest income

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

Dividend income

Income from dividends is recognized when the right to receive payment has been determined. No dividend has been allocated for 2018.

TRANSFER PRICING

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

EMPLOYEE BENEFITS

Pension commitments

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

Retirement contribution obligations

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

Share-based payments

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

Employee options

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

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Severance pay

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

RESEARCH AND DEVELOPMENT

Development costs that are expected to generate probable future economic benefits and controlled by the Parent company are capitalized as intangible assets. All other research and development expenditure is recognized in the income statement as incurred. Development costs capitalized as intangible assets are valued as the total of direct costs plus reasonable amounts for indirect costs. During 2018 SEK 5.1 million has been capitalized for the development of the new platform FLUX and other solutions.

LEASES

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

BORROWING COSTS

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

INCOME TAXES

Reported income tax includes tax which is to be paid or received for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax. The measurement of all income tax liabilities and assets is performed at nominal amounts, applying the tax rates and provisions that have been enacted, or substantially enacted, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. In the case of items recognized in profit or loss, related tax effects are also recognized in profit or loss. The tax effects of items that are recognized directly in shareholders' equity are also recognized directly in shareholders' equity. Deferred income tax is calculated using the balance-sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These temporary differences have primarily arisen through consolidation adjustments. Deferred tax assets pertaining to future tax deductions are recognized to the extent that it is probable that such deductions can be netted against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are not recognized in the consolidated accounts as the Parent Company can, in all cases, control the date for a reversal of the temporary differences and it is not assessed as probable that a reversal will take place within the foreseeable future. The reporting of deferred tax is based on effective tax rates.

CASH-FLOW STATEMENT AND CASH EQUIVALENTS

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

Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. In both 2018 and 2017, cash and cash equivalents were comprised solely of cash and bank balances.

FINANCIAL GUARANTEES/FROZEN ASSETS

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

INTANGIBLE FIXED ASSETS

Goodwill

Goodwill consists of the amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired. Goodwill on the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested annually to identify any need for impairment and is recognized at cost less accumulated impairment. The gain or loss on the sale of an entity includes the remaining carrying amount for goodwill pertaining to the entity sold. Goodwill is al-

located to cash-generating units when testing for any impairment requirement. This allocation is made to the cash-generating units that are expected to benefit from the business combination giving rise to the goodwill item. The Group allocates goodwill to all lines of business.

Customer contracts and Customer relations

This item includes customer contracts that arose in connection with the acquisition of Gatso Beheer BV in 2015. These contracts are operated under the segment Managed Services, and focuses on large and smaller managed services contracts where the ownership of the equipment remains with Sensys Gatso, and recorded on the balance sheet under fixed assets in operation. The Group is responsible for the entire value chain; system operations, sending out fines and receiving payments on the behalf of our customers. Customer contracts normally run for 3-5 years with a considerable possibility of extension. Customer contracts are amortised over 2-7 years, depending on the length of the customer contracts.

Brands

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

Product and software development

The Group's technology is based on internally developed radar sensors, which is the core component of the Group's products. Costs closely associated with the development of technology which is controlled by Sensys Gatso Group and is likely to yield financial benefits are recognized as intangible assets. The related projects have been valued as the total of direct costs plus reasonable amounts for indirect costs. Development costs incurred in connection with product adaptations for an existing project are recognized in the income statement. Product and software development is amortized over 3-4 years. During 2018 SEK 5.1 million has been recognized as intangible assets due to the development of the new platform called X-series.

Impairment of non-financial assets

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

TANGIBLE FIXED ASSETS

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

DEPRECIATION and AMORTISATION

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

- » Leasehold improvement 10 years
- » Furniture's & fixtures 2-5 years
- » Fixed assets in operations 5 years
- » Customer contracts 2-7 years
- » Brand 10 years
- » Product and software development 3-4 years

INVENTORIES

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

FINANCIAL INSTRUMENTS

Financial assets at amortised cost

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

Trade and other receivables principally arising from sales of goods and services to customers are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on aging and historical credit losses, resulting in fully impairing receivables past due greater than 12 months.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

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

Financial liabilities at amortised cost

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

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

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. The company currently does not have financial liabilities at fair value through the profit and loss or through Other Comprehensive Income.

SHAREHOLDERS' EQUITY

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

Earnings per share

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

Dividends

Dividends to Sensys Gatso Group's shareholders are recognized as liabilities in the Group's annual accounts in the period in which the dividends were adopted by the Parent Company's shareholders. No dividend has been allocated for 2018.

PROVISIONS

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

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

Goodwill

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

Deferred tax assets

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

Inventory

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

RISKS AND UNCERTAINTIES

Significant risks and uncertainties faced by the company include commercial risks associated with customers and suppliers, as well as other external factors. Sensys Gatso Group's overall goal is as far as possible to avoid taking financial risks that may arise through changes in foreign currency rates, interest levels and market prices, as well as liquidity, financing and credit risks. A description of material financial and commercial risks faced by the company is given in note 24.

PARENT COMPANY'S ACCOUNTING POLICIES

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

Shares in subsidiaries

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

APPLICATION OF NEW OR AMENDED STANDARDS

New standards, amendments and interpretations applicable from January 1, 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 has been applied from the 2018 financial year. In 2017, workshops were held and an investigation conducted to identify potential differences between IAS 18 and IFRS 15.

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

The Following this analysis, the assessment is that there were no material differences between the currently applicable accounting policies, IFRS 15 and the previously used accounting policy IAS18. The sales of products is 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 had 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, comparative periods has not been restated. The adaptation of IFRS 9 has not had a significant impact on the financial reports in the Group.

Based on the analysis performed in 2017 on the effects of adoption of IFRS 15 and IFRS 9 we have concluded that the impact was not material for both, therefore no adjustment has been made on the opening balance of equity as of January 1, 2018.

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. Based on Sensys Gatso's analysis of the impact of IFRS 16 the modified retrospective approach has been chosen as method. This means that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information.

Based on the analysis performed the estimated impact on right of use assets and corresponding lease liabilities amounts to approximately SEK 29.5 million. The adoption of the new standard will have a positive effect on EBITDA of approximately SEK 8.8 million.

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.

	2018			2017		
	System Sales	Managed service	Total	System Sales	Managed service	Total
Total Net sales per business segment	316,669	74,439	391,108	242,082	55,709	297,791
Inter-segment transactions	-6,310	-4,444	-10,754	-4,340	-357	-4,697
Total Net Sales	310,359	69,995	380,354	237,742	55,352	293,094
EBITDA	19,339	18,224	37,563	-25,746	9,883	-15,863
Depreciation and amortization	-11,049	-25,925	-36,974	-9,327	-29,574	-38,901
Operating Profit	8,290	-7,701	589	-35,073	-19,691	-54,764
Net financial items			-1,685			-10,552
Profit before tax			-1,096			-65,316
Tax			-1,376			3,470
Profit for the period			-2,472			-61,846

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

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

Non-current assets (excluding financial instrument and deferred tax)

	2018	2017
Sweden	282,233	286,426
Non-Sweden	84,160	78,730
Total	366,393	365,156

Note 2 Salaries, other remuneration and social insurance contributions

Number of employees at year-end

	2018		2017		%men	
	Men	Women	Men	Women	2018	2017
Holland	67	69	59	8	88%	90%
Sweden and branch offices	34	34	30	4	0%	88%
Australia	28	20	21	7	75%	85%
Germany	5	5	4	1	80%	100%
USA	51	32	26	25	51%	49%
Amsterdam	8	6	8	-	100%	100%
Parent Company	2	1	2	-	100%	100%
Total	195	167	150	45		

Board members and group management, Group

	2018		2017		%men	
	Men	Women	Men	Women	2018	2017
Board Members	6	6	3	3	50%	50%
Group Management	4	4	4	-	100%	100%
Total	10	10	7	3	70%	70%

Employees Full-time equivalent

	2018	2017
Holland	62	64
Sweden and branch offices	33	34
Australia	23	19
Germany	5	5
USA	30	26
Amsterdam	8	6
Parent Company	1	1
Total	162	154

	Salaries and other remunerations		Social securities		Pension contributions		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Parent Company	5,572	4,402	186	1,448	162	623	5,920	6,473
Subsidiaries	109,979	99,369	13,550	13,389	9,343	9,204	132,872	121,962
Group	115,551	103,771	13,736	14,837	9,505	9,827	138,792	128,435

VARIABLE REMUNERATION, PARENT COMPANY

The parent company has two employees consisting of the CEO and CFO, whom are both employed for 50 % by the parent company and 50 % from the Netherlands.

Variable remuneration for the CEO

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

Share based payment CEO

The CEO will, under the program, be granted, free of charge, options subject to three year vesting (October 2017 - September 2020) that 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 1.0 percent.

During 2018 the value of this benefit has been SEK 361,372 (16,458) which has been charged towards share capital.

Variable remuneration for the CFO

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

Agreements regarding severance pay

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

VARIABLE REMUNERATION IN SUBSIDIARIES

Other group executives

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

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 regional performance and group performance. The remuneration is subject to an upper limit of 6 months salaries. Remuneration of TSEK 0 (2,494) has been paid out during 2018.

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:

- 5 percent of net earnings for the current year, subject to a limit of MSEK 3.
- 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 2018 totalled TSEK 0 (0).

Remuneration of the Board of Directors, the CEO and other senior executives	Basic Salary Board Fee		Variable Remuneration		Other benefits		Pension Expenses		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Parent Company										
Chairman of the Board, Claes Ödman	400	300	-	-	-	-	-	-	400	300
Board member, Katarina Staaf	200	175	-	-	-	-	-	-	200	175
Board member, Kerstin Sjöstrand	200	175	-	-	-	-	-	-	200	175
Board member, Pia Hofstedt	200	175	-	-	-	-	-	-	200	175
Board member, Jochem Garritsen	200	175	-	-	-	-	-	-	200	175
Board member, Ingemar Skogö	200	175	-	-	-	-	-	-	200	175
Remuneration and other benefits for Group Management										
Managing Director and CEO, Torbjörn Sandberg (Jan - Sept 2017)	-	1,464	-	480	-	68	-	498	-	2,510
Managing Director and CEO, Ivo Mönnink	2,646	598	861	-	206	48	794	180	4,507	826
Other senior management (3 individuals)	4,770	7,950	831	420	323	74	168	67	6,092	8,511

Note 3 Total sales

Net sales by region	2018	2017
Europe	172,219	179,012
America	70,362	55,072
Middle East and APAC	137,768	59,010
Total	380,349	293,094
Nature of sales	2018	2017
One-off	238,820	166,555
Recurring	141,529	126,539
Total	380,349	293,094
Nature of services	2018	2017
System sales	234,902	163,418
Service and maintenance	67,738	68,050
Licences	7,836	6,274
Managed services	69,873	55,352
Total	380,349	293,094

The company has two segments, System Sales and Managed Services. The segment System Sales consists of project related and repeat sales of solutions including (recurring) maintenance. The sales in this segment has a good global spread, mainly in the sales regions Europe, Middle East and APAC.

The segment Managed Services consists of Managed Services activities where we deliver the technology, process violations, issue citations, collect the fines and deliver helpdesk support. In this segment we also report our software development and maintenance activities related to Managed Services. The sales in this segment is mainly from the sales region America.

See note one for the performance per segment.

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

We expect all contract liabilities be recognised as revenue within one year.

Note 4 Expenses by nature of expense

	2018	2017
Raw materials and consumables used	148,246	107,763
Depreciation and amortisation	36,973	38,901
Employee benefits and expenses	139,444	136,186
Housing expenses	13,420	11,691
Office expenses	7,078	7,171
Sales expenses	8,729	17,947
Car expenses	3,924	3,866
Development expenses	2,807	5,873
General expenses	17,300	17,019
Financial items	1,839	1,452
Total	379,760	347,869

Note 5 Taxes

Corporate income tax	2018	2017
Current tax	-2,631	-6,400
Deferred tax	1,257	2,931
Total	-1,374	-3,469
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	1,097	-65,316
Tax at applicable rate	274	-16,349
Income tax credit for R&D	188	-1,092
Other tax differences	-6	92
Tax previous years	-888	-742
Movement of deferred taxes	0	8,224
Revaluation of DTA due to changes in tax rates	-904	4,109
Translation effects	-38	2,289
Tax on profit/loss for the year in accordance with income statement	-1,374	-3,469

Note 6 Depreciation/amortisation

Amortisation of intangible assets was SEK 25.7 million and depreciation of property, plant and equipment totalled SEK 11.2 million. During 2018 no impairment were taken (0). The 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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Customer contracts	-	-	13,766	13,556	-	-	-	-	13,766	13,556
Brand	-	-	2,218	2,127	-	-	-	-	2,218	2,127
Other intangible assets	-	-	-	6,038	-	1,018	9,760	2,967	9,760	10,023
Improvement expenses leasehold	-	-	-	-	-	104	-	-	-	104
Furniture, Fixtures, Fittings and vehicles	998	301	893	717	190	347	467	325	2,548	1,695
Fixed Assets in operation	8,680	11,200	-	-	-	-	-	202	8,680	11,402
Total Depreciation and Amortisation	9,678	11,501	16,877	22,438	190	1,469	10,227	3,494	36,972	38,907

Note 7 Operational leasing arrangements

The group has entered into the following lease arrangements. The leases for Machines, plant and equipment include office equipment and vehicles. There are no variable charges in the lease contracts.

	Machines, plant and equipment		Premises	
	2018	2017	2018	2017
Lease payments for the year	2,841	2,321	8,539	10,017
Minimum lease payments falling due within 1 year	3,486	1,589	6,422	8,776
Minimum lease payments falling due within 1-5 years	2,544	1,574	14,252	19,473
Minimum lease payments falling due later than 5 years	-	-	3,900	6,228

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019.

Sensys Gatso's has selected the modified retrospective approach as method for first time adoption of this new accounting standard. This means that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information.

Based on the analysis performed the estimated impact on right of use assets and corresponding lease liabilities amounts to approximately SEK 29.5 million. The adoption of the new standard will have a positive effect on EBITDA of approximately SEK 8.8 million.

Note 8 Profit/loss from financial activities

	2018	2017
Interest and similar profit/loss items		
Interest income on bank deposits	4	-
Exchange rate gains on bank deposits or other loans	4,227	7,728
Other financial income	-	117
Total financial income	4,231	7,845
Interest expense on financial liabilities		
Interest expense on loans	2,326	4,833
Exchange rate losses on bank deposits or other loans	3,588	13,445
Other financial expenses	2	19
Total financial costs	5 916	18,297
Profit/Loss from financial investments	-1 685	-10,452

Note 9 Intangible fixed assets

Consolidated Intangible fixed assets	Goodwill		Customer contracts/ Customer relations		Brand	Product & software development		Total		
	2018	2017	2018	2017		2018	2017	2018	2017	
Opening accumulated acquisition value	239,166	239,302	90,088	93,788	21,372	21,469	68,534	63,070	419,160	417,629
Acquisitions	-	-	-	-	-	-	5,088	-	5,088	-
Internal development	-	-	-	-	-	-	-	3,977	-	3,977
Disposals	-	-	-	-	-	-	-	-	-	-
Translation effects	12,091	-136	3,849	-3,700	923	-97	1,069	1,487	17,932	-2,446
Closing accumulated acquisition value	251,257	239,166	93,937	90,088	22,295	21,372	74,690	68,534	442,179	419,160
Opening accumulated amortisation	-	-	-54,628	-40,540	-5,181	-3,046	-29,654	-19,492	-89,465	-63,078
Amortisation for the period	-	-	-13,766	-13,559	-2,218	-2,127	-9,760	-10,023	-25,744	-25,709
Translation effect	-	-	-2,317	-529	-225	-8	-905	-141	-3,445	-678
Closing accumulated amortisation	-	-	-70,711	-54,628	-7,624	-5,181	-40,319	-29,654	-118,654	-89,465
Opening accumulated impairment	-	-	-	-	-	-	-	-	-	-
Closing accumulated impairment	-	-	-	-	-	-	-	-	-	-
Translation effects	-	-	850	-	-17	-	28	-	861	-
Carrying amount	251,257	239,166	24,076	35,459	14,654	16,191	34,399	38,879	324,386	329,695

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 2018 as a reference and uses budgets for 2019 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 9.6% for the overall Road Safety Market.

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 5 to 7 percent as an average over the years, with 2019 budget as a baseline.

The EBITDA is expected to improve over the projected years as a result of the effects of expected further integration of the company's product and solution offerings. After the transformation program and further integration, the current organisation is expected to be big enough to facilitate the projected growth in sales. Mostly direct costs will be added to support the expected revenue growth. The total expenses are estimated to be stable and will grow in line with long-term growth between 2 and 4 percent, depending on geographical area. The EBITDA margin is expected to arrive between approximately 10% to 45% over the forecasted period, depending on where the revenue growth will be generated.

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 at 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 remain in line with the forecasted revenue growth. The increase in CoGs is mainly due to increase maintenance related to an increase in fixed assets in operations and increase of flexible processing staff as the number of events grows. For the software development part of this segment, the cost is projected to grow as the business grows. 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 24 of this report, the largest exposure to changes in currency is with EUR/SEK and USD/SEK exchange rate. The exchange rates used for these main currencies in the forecast are EUR 10.25 and USD 8.91.

Sensitivity analysis

Management has performed a sensitivity analysis per segment on an increased investment of 1%, an adjustment of EBITDA of -2%, an adjustment in long-term growth of -2% and an adjustment of the WACC of 2%. The sensitivity analyses performed are based on a change in an assumption or a combination of two assumptions while holding the other assumptions constant.

The recoverable amount exceeds the carrying 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	2018	2017
System Sales	167,959	161,502
Managed Services	83,298	77,664
Total	251,257	239,166

The movement in goodwill valuation in both segments relates to currency effects. No impairments were taken in 2018 (0).

Note 10 Tangible fixed assets

Tangible fixed assets	Leasehold improvement		Furnitures, fixtures, etc		Fixed Assets in operation			Total
	2018	2017	2018	2017	2018	2017	2018	2017
Opening accumulated acquisition value	16,579	16,191	27,515	25,420	117,172	123,024	161,266	164,635
Acquisitions	1,972	20	3,995	1,076	12,219	7,515	18,187	8,611
Disposals	-	-	-60	-1,715	-1,613	-2,332	-1,673	-4,047
Movements between categories	-	-	-	3,133	-	-3,133	-	-
Translation effects	589	368	1,022	-399	8,427	-7,902	10,037	-7,933
Closing accumulated acquisition value	19,139	16,579	32,472	27,515	136,205	117,172	187,817	161,266
Opening accumulated depreciation	-14,473	-13,986	-20,533	-17,555	-86,003	-85,245	-121,009	-116,786
Disposals	-10	-	-1,521	742	265	-462	-1,266	280
Depreciation for the period	-254	-143	-2,294	-1,411	-8,680	-11,389	-11,227	-12,943
Movements between categories	-	-	-	-2,525	-	2,525	-	-
Translation effects	-1,032	-344	-865	216	-4,834	8,568	-6,731	8,440
Closing accumulated depreciation	-15,769	-14,473	-25,212	-20,533	-99,252	-86,003	-140,233	-121,009
Opening accumulated impairment	-	-	-1,843	-1,270	-3,318	-3,662	-5,161	-4,932
Translation effects	-	-	-	-573	-152	349	-152	-225
Disposals	-	-	-	-	-143	-	-143	-
Closing accumulated impairment	-	-	-1,843	-1,843	-3,613	-3,313	-5,456	-5,157
Translation effects	-3	-	-118	-	-	-	-121	-
Carrying amount	3,367	2,105	5,299	5,139	33,340	27,857	42,006	35,101

Note 11 Deferred tax

Deferred tax recoverable	2018	2017
Opening deferred tax recoverable	38,440	51,744
Utilization of deferred tax	-5,458	-3,900
Additions	3,414	-
Effect of change in tax rate	-1,424	-5,801
Translation effects	2,445	-3,606
Closing deferred tax assets	37,417	38,440

The deferred tax assets can be specified as follows:

	2018	2017
Other	497	1,535
Inventory	2,903	2,984
Loss carried forward	34,017	33,921
Total deferred tax assets	37,417	38,440

Deferred tax liabilities

	2018	2017
Opening deferred tax liability	23,226	32,058
Release relating to depreciation on intangible fixed assets	-7,587	-7,387
Effect of change in tax rate	-	-3,541
Temporary difference accelerated depreciation fixed assets	-	3,719
Translation effects	1,185	-1,623
Closing deferred tax liabilities	16,824	23,226

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 sales 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 2018, the Parent company Sensys Gatso Group AB had total estimated unutilised tax losses of TSEK 171,718 (160,613). Approximately SEK 95.9 million has been accounted for in the deferred tax asset to the amount of SEK 19.8 (21.1) million. Due to changes in corporate income tax rates in Sweden, the Deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at the new tax rate as of year 2021 of 20.6 percent. This resulted in a devaluation of the Deferred Tax Asset of SEK 1.3 million in 2018 from 21.1 million to 19.8 million. The devaluation of the tax assets resulted in an additional tax expense of SEK 1.3 million in the parent company.

The parent company has been loss making in 2017 and 2018, which could indicate a possible impairment. However, it is important to stress that the results of 2018 improved compared to 2017. Based on future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to contribute to the future profits by entries in to new markets and a broader product range that can be offered to existing customer relations. In 2018 the results for Sensys Gatso Sweden AB have been positive. Based on these assumptions management has made the assessment that the tax losses accounted for in the deferred tax asset will be 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 35.3 million. Based on the current estimated tax profits the company expects to utilize the total expected unutilized tax losses before expiration. The tax losses are recognised in a deferred tax asset to the amount of SEK 10.9 million.

Based on losses occurred in the Dutch subsidiaries the company has recognised a deferred tax asset of SEK 3.4 million, corresponding to approximately SEK 14.5 million loss carried forward.

Furthermore a deferred tax assets is recognized relating to our Australian subsidiary for temporary differences to the amount of SEK 0.5 million.

Note 12 Inventories

	2018	2017
Opening acquisition value	72,087	55,243
Movement in inventory	8,437	15,977
Translation effects	2,090	867
Closing acquisition value	82,613	72,087
Change in provision for doubtful inventory	2018	2017
Opening provision	-9,576	-8,737
Addition	-728	-607
Translation effects	-446	-232
Closing provision	-10,749	-9,576
Carrying amount	71,864	62,511

Note 13 Trade receivables

Trade receivables	Trade receivables 2018	Trade receivables past due and impaired 2018	Total before impairments 2018	Impairments for doubtful trade receivables 2018	Total 2018
Trade receivables not yet due	45,320		45,320		45,320
< 3 months	8,323	-	8,323		8,323
3-12 months	2,357	-	2,357		2,357
>12 months	935	26,950	27,885	-26,950	935
	56,935	26,950	83,885	-26,950	56,935
	2017	2017	2017	2017	Total
Trade receivables not yet due	52,171		52,171		52,171
< 3 months	13,206	692	13,898	-692	13,206
3-12 months	5,356	3,246	8,602	-3,246	5,356
>12 months	589	21,406	21,995	-21,406	589
	71,322	25,344	96,666	-25,344	71,322

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on aging and historical credit losses, resulting in fully impairing receivables past due greater than 12 months.

Change in provision for doubtful trade receivables	2018	2017
Opening provision for impairments	25,344	24,403
Confirmed losses	-	-8,232
Reversed, Unutilized provisions for impairments	-100	-2,867
Addition in the year	76	12,906
Translation effects	1,630	-866
Closing provision	26,950	25,344

Sensys Gatso does no longer expect payments based on the settlement agreement relating to the project receivable communicated on February 7, 2018. This receivable has been fully provisioned in 2017 and recorded as a confirmed loss in 2019.

Note 14 Prepaid expenses and accrued income

Prepaid expenses and accrued income	2018	2017
Prepaid lease payments and deposits (property and other)	1,826	1,821
Accrued income	10,878	11,812
Other items	4,071	2,543
Total	16,775	16,176

Note 15 Bank overdraft facilities and other borrowing

The Group's interest-bearing borrowings	2018	2017
Due dates for long-term loans:		
Within one year	10,199	26,193
Between one and five years	48,692	56,160
More than five years	-	-
Total	58,891	82,353
Short-term borrowings, EUR	10,199	20,019
Short-term borrowings, USD	-	6,174
Total	10,199	26,193
Long-term borrowings, EUR	48,692	55,908
Long-term borrowings, USD	-	252
Total	48,692	56,160
Of which longer than 5 years, EUR	-	-

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

Note 16 Financial instruments

Loans and receivables	2018	2017
<i>Assets as per balance sheet</i>		
Trade receivables	56,935	71,320
Accrued income	10,878	11,814
Cash and bank balances	76,607	58,931
Total	144,420	142,065
Other financial liabilities at amortised costs	2018	2017
<i>Liabilities as per balance sheet:</i>		
Borrowings	-	10,459
Liabilities to shareholders	58,891	71,901
Trade payables	27,996	30,691
Other liabilities	10,648	9,946
Total	97,535	122,997

There are no financial assets at fair value through the profit.
The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Note 17 Financial activities

	2017	Cashflow	Non-cash movements:		Foreign exchange and present value change	2018
			Offset Vendor Loan	Liabilities to shareholders		
Long term borrowing	55,908			-10,199	2,983	48,692
Short-term borrowing	26,193	-10,200	-17,502	10,199	1,509	10,199
Financial Lease liabilities	252	-266			14	-
Share and other contributed capital	448,094		17,502			465,596
Closing liabilities to shareholders	530,447	-10,466	0	0	4,506	524,487

Note 18 Transactions with shareholders

Liabilities to shareholders	2018	2017
Non-current subordinated loan	20,551	19,699
Non-current liabilities vendor loan	28,141	36,209
Current liabilities vendor loan	10,199	15,993
Closing liabilities to shareholders	58,891	71,901
Non-current liabilities to shareholders	2018	2017
Opening liabilities	55,908	79,839
Change in present value	793	1,560
To current liabilities to shareholders	-10,199	-27,579
Currency and fair value adjustments	2,190	2,088
Non-current liabilities	48,692	55,908
Current liabilities to shareholders	2018	2017
Opening liabilities	15,993	-
Current part of promissory note	10,199	27,579
Off-set vendor loan in New share issue	-17,502	-11,137
Currency effects	1,509	-449
Current liabilities	10,199	15,993

In 2015 the company has acquired Gatso Beheer BV. The former owners of Gatso Beheer BV have provided the company with a vendor loan to the amount of MEUR 6.84. As part of the new share issue in 2017 a part of the vendor loan installment of 31 July 2018 was converted into shares. In 2018 the remaining part of the first installment was converted into 15,110,738 shares. The remaining part of the vendor loan amounts to TSEK 38.340.

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

Vendor loan (nominal value) installments (KEUR)	2017	Conversion 2018	Repayment 2018
31/07/2018	1,645	-1,645	-
31/07/2019	1,000		1,000
31/07/2020	1,000		1,000
31/07/2021	1,000		1,000
31/07/2022	840		840
Total	5,485	-1,645	3,840

Related party transactions	Shareholders	Directors
Rental costs premises	1,785	-
Interest costs loans	1,231	-
Management fee	-	3,797
Amounts owed to related parties	59,508	509

Note 19 Provisions

Provisions product warranty	2018	2017
Provision for product warranty	6,588	7,505
Other provisions	2,894	220
	9,482	7,725

Provision for product warranty	2018	2017
Opening product warranty 0-360 days	4,061	5,664
Opening product warranty provision > 360 days	3,444	3,625
Opening guarantee provision	7,505	9,289
Buildup and release of product warranty provision during the year	2,122	7,226
Used product product warranty during the year	-3,211	-9,133
Movements during the year	-1,090	-1,907
Translation effects	172	123
Closing product warranty provision 0-360 days	4,474	4,061
Closing product warranty provision > 360 days	2,114	3,444
Closing product warranty provision	6,588	7,505

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

If warranty claims would increase by 10% in relation to the estimate, the cost for warranty claims would increase by TSEK 659 (750) in 2018. The long term part of the provisions amount to SEK 2.4 million, including SEK 2.1 million long-term part of the warranty provision and other provisions of SEK 0.3 million.

Note 20 Accrued expenses and deferred income

Prepaid expenses and accrued income	2018	2017
Accrued salaries	6,168	1,993
Holiday pay liability	8,878	9,020
Social charges	3,409	3,575
Deferred income	737	4,775
Accrued Audit and advisory expenses	3,073	2,595
Other	5,252	9,990
Total	27,517	31,948

Note 21 Audit fees and reimbursement of related costs

	2018	2017
<i>BDO/PwC</i>		
Audit assignment	2,702	2,777
Audit advisory	625	246
Tax consulting	731	913
Other assignments	1,014	416
Total	5,073	4,352

At the AGM 2018, BDO AB was appointed as Group auditor. The total remuneration for audit work to BDO in 2018 amounted to SEK 2.7 million. BDO has also provided Audit advisory services to the amount of 51 TSEK, Tax consulting of 607 TSEK and Other assignments of 368 TSEK.

Note 22 Pledged assets and contingent liabilities

	2018	2017
Floating charge	15,000	30,000
Guarantees, customer authorities	17,692	13,700
Other pledged assets, subsidiaries	138,699	116,395
Total pledged contingent liabilities	171,391	160,095
	2018	2017
Tangible fixed assets	40,259	32,656
Inventory	66,655	49,884
Receivables	31,785	33,855
Pledges assets total	138,699	116,395

Pledges and securities

Pledges and securities Coöperatieve Rabobank U.A.

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

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

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

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

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

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

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

Pledges Skandinaviska Enskilda Banken AB

The company has access to a credit facility amounting to SEK 15 million.

Sensys Gatso Group AB has an absolute EBITDA agreement with Skandinaviska Enskilda Banken AB which have to be met each quarter under the agreement of the bank facilities.

Note 23 Events after the balance sheet date

Significant events after the end of the reporting period;

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

Note 24 Risks

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

FINANCIAL RISKS

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

CURRENCY RISK

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

Transaction exposure

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

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net assets and earnings, so-called translation exposure. This currency risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statement and balance sheets. Earnings from foreign subsidiaries are translated into Swedish krona based on the average exchange rate for each month. Net assets are translated into Swedish krona based on the exchange rate per last date of the month. The Group's risk exposure in foreign currencies at the end of 2018, expressed in thousands of Swedish krona (TSEK) consisted of the following:

Translation exposure 2018	SEK	EUR	USD	AUD	Total
<i>Assets as per balance sheet:</i>					
Trade receivables	25,152	19,465	3,925	8,395	56,937
Accrued income	-	6,789	-	4,089	10,878
Cash and bank balances	66,945	3,784	860	5,017	76,606
Total	92,097	30,038	4,785	17,501	144,421
<i>Liabilities as per balance sheet:</i>					
Borrowings	-	-	-	-	-
Liabilities to shareholders	38,340	20,551	-	-	58,891
Trade payables	7,410	10,077	1,579	8,929	27,996
Liabilities to customers	22,460	9,354	-	-	31,814
Other liabilities	4,347	5,540	761	-	10,648
Total	72,557	45,522	2,340	8,929	129,349

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

TSEK	Impact on profit after tax		Impact on other components in equity	
	2018	2017	2018	2017
EUR/SEK exchange rates + 10%	-209	-1,845	34,408	14,363
USD/SEK exchange rates + 10%	-296	-172	565	-7,648
AUD/SEK exchange rates + 5%	225	-36	2,660	1,369

The largest exposure to changes is in the EUR/SEK exchange rate, but the USD/SEK and AUD/SEK exchange rates are also sensitive to changes, which can affect equity, since the Company has goodwill and other intangible assets in local currencies. The Company has entered into a swap contract to the amount of SEK 1.6 million (EUR/USD). 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 58.9 (82.4) in interest-bearing liabilities and cash and cash equivalents amounted to MSEK 76.6 (58.9). 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 2018, the Group's borrowings largely consisted of credit facilities provided by banks with three months fixed interest rates (EURIBOR and LIBOR). The groups liabilities to shareholders are burdened with one months fixed rates (EURIBOR) and fixed annual rates on subordinated loans. The interest rates and conditions are consistent with 2017.

If interest rates on borrowings had been 10 points higher/lower in 2018, but all other variables had been constant, then profit or loss before tax for the financial year would have been MSEK 0.2 (0.1) higher/lower, primarily as an effect of higher/lower interest expenses for borrowings with floating interest rates. The Group holds no listed financial instruments.

LIQUIDITY AND FINANCIAL RISKS

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

The group has processes in place to monitor the bank covenants and the cash flow and is in control of cash requirements. For the liabilities the company has conventional covenants towards the banks, such as Debt Service Coverage Ratio, Solvency ratio, absolute EBITDA levels and certain restriction for new investments. Sensys Gatso met all ratios as required in the contract for the credit facilities. In 2018 payments of MSEK 7.0 (8.8) have been made on the loans to shareholders and banks. At the end of 2018 the company has used MSEK 0 (10.0) of its credit facilities.

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

As of 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank loans				
Trade payables and other liabilities	27,996	-	-	-
Loan to related parties	10,199	10,048	38,644	-
Total	38,195	10,048	38,644	-
As of 31 December 2017				
Bank loans	10,204	255	-	-
Trade payables and other liabilities	30,692	-	-	-
Loan to shareholders	15,993	9,136	46,772	6,663
Total	56,889	9,391	46,772	6,663

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 27.0 (25.3) 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 2018 was 71.8 per cent (67.3).

OPERATIONAL RISKS

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

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

PRICE RISK

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

INSURANCE

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

IT SECURITY

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



Parent Company

Income Statement

TSEK	Note	2018	2017
Net sales	25, 26	6,041	6,276
Cost of goods sold		-	-
Gross profit		6,041	6,276
Selling cost		-	-
Administrative costs	40	-13,880	-18,062
Development cost		-	-
Other operating costs		-	-10
Operating profit/loss	27, 28	-7,839	-11,796
Profit/loss from financial investments	29		
Interest income/foreign exchange gains		6,095	4,992
Interest expense/foreign exchange losses		-8,035	-7,637
Profit/loss before tax		-9,779	-14,441
Income tax for the year	30	-1,343	-2,984
PROFIT OR LOSS FOR THE YEAR		-11,122	-17,425

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

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS			
INTANGIBLE FIXED ASSETS	31		
Customer contracts and Customer relations		-	-
Product and software development		3,824	-
		3,824	-
TANGIBLE FIXED ASSETS	32		
Leasehold improvement		-	-
Furnitures, fixtures, etc		-	-
		-	-
FINANCIAL FIXED ASSETS			
Deferred tax assets	30	19,761	21,104
Investments in Subsidiaries	33	413,952	413,952
Loan Subsidiaries	34	30,000	30,000
		463,713	465,056
TOTAL NON CURRENT ASSETS		467,537	465,056
OTHER CURRENT ASSETS			
Receivables from subsidiaries		3,828	-
Current tax assets		49	305
Prepaid expenses and accrued income	35	689	157
		4,566	462
CASH AND CASH EQUIVALENTS			
Cash and bank balances		21,389	37,404
		21,389	37,404
TOTAL CURRENT ASSETS		25,955	37,866
TOTAL ASSETS	41, 42, 43, 44	493,492	502,922

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	36		
Share capital		43,002	42,246
Statutory reserve		25,215	25,215
Legal reserve		3,824	
		72,041	67,461
Share premium reserve		397,379	380,633
Retained earnings incl net profit for the year		-17,637	-3,052
		379,742	377,581
TOTAL SHAREHOLDERS' EQUITY		451,783	445,042
LIABILITIES			
NONCURRENT LIABILITIES	37	-	-
Liabilities to shareholders	38	28,141	36,209
		28,141	36,209
CURRENT LIABILITIES			
Liabilities to shareholders	38	10,199	15,993
Trade payables		628	450
Liabilities to subsidiaries		83	452
Accrued expenses and deferred income	39	2,658	4,776
		13,568	21,671
TOTAL LIABILITIES		41,709	57,880
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		493,492	502,922

Parent Company

Cash Flow

TSEK	2018	2017
OPERATING ACTIVITIES		
Operating profit/loss	-7,841	-11,796
Adjustments for non-cash items:		
Depreciation and amortisation	-	-
Movement in warranty provision	-	-
Other non cash items	-852	-11,796
Adjustments for non-cash items	-852	-11,796
Interest paid	-289	-1,714
Interest received	1,800	-
Exchange rate effects	1,404	1,725
Cash flow from operating activities before changes in working capital	-5,778	-11,785
CASH FLOW FROM CHANGES IN WORKING CAPITAL		
Trade receivables	-3,828	-1,071
Inventories	-	-
Trade payables	178	-
Other changes in working capital	-2,763	-2,988
Cash flow from operating activities	-12,191	-15,844
INVESTING ACTIVITIES		
Investment in subsidiaries and other associated companies	-	-30,000
Investment in Intangible Fixed Assets	-3,824	-
Changes in financial assets	-	-
Cash flow from investing activities	-3,824	-30,000
FINANCING ACTIVITIES		
New share issue	-	92,130
Costs for share issue	-	-4,931
Borrowings	-	-18,750
Transfer of business	-	16,959
Loan to subsidiaries	-	-30,000
Movement in liabilities to shareholders	-	-
Cash flow from financing activities	-	55,408
Cash flow for the year	-16,015	9,564
Cash and cash equivalents at beginning of the year	37,404	27,840
Cash and cash equivalents at end of the year	21,389	37,404

Parent Company

Statement of changes in shareholders' equity

	Share capital	Statutory reserve	Share premium reserve	Legal reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 Jan 2017	32,858	25,215	291,685	-	14,372	364,130
Net profit of the year					-17,424	-17,424
Other comprehensive income						-
New share issue	9,388		93,879			103,267
Share issue costs			-4,931			-4,931
Shareholders' equity 1 Jan 2018	42,246	25,215	380,633	-	-3,052	445,042
Net profit of the year					-11,122	-11,122
Other comprehensive income						-
Addition to legal reserve				3,824	-3,824	-
New share issue	756		16,746			17,502
Stock related remunerations					361	361
Shareholders' equity 31 Dec 2018	43,002	25,215	397,379	3,824	-17,637	451,783

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

Notes on the accounts, Parent Company

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

Note 25 Total sales

Net sales by region	2018	2017
Europe	6,041	6,276
America	-	-
Middle East and APAC	-	-
Total	6,041	6,276

Note 26 Purchase and sales between group companies

Of the Parent Company's total income from operations, MSEK 6.0 (6.3) refers to remuneration from subsidiaries for services performed.

Note 27 Expenses by nature of expense

	2018	2017
Employee benefits and expenses	5,944	7,360
Housing expenses	64	109
Office expenses	523	182
Sales expenses	1,187	740
Car expenses	64	165
General expenses	5,869	9,516
Financial items	104	-
Total	13,881	18,072

Note 28 Operational leasing arrangements

The Group has entered into the following operating leases:

	Machines and other technical plan		Premises	
	2018	2017	2018	2017
Lease payments for the year	-	122	-	102
Minimum lease payments falling due within 1 year	-	31	-	310
Minimum lease payments falling due within 1-5 years	-	-	-	-
Minimum lease payments falling due later than 5 years	-	-	-	-

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 29 Interest and similar profit/loss items

Interest and similar profit/loss items	2018	2017
Interest income on bank deposits	-	-
Exchange rate gains on bank deposits or other loans	4,296	4,992
Interest income Group company	1,800	-
Total financial income	6,096	4,992
Interest expense on financial liabilities	2018	2017
Interest expense on loans	289	1,712
Exchange rate losses on bank deposits or other loans	7,746	5,922
Other financial expenses	-	3
Total financial costs	8,035	7,637

Note 30 Tax on profit for the year

Corporate income tax	2018	2017
Current tax	-	-
Deferred tax	-1,343	-2,984
Total	-1,343	-2,984
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	-9,780	-14,441
Tax at applicable rate	2,054	3,177
Other tax differences	-	-7
Effect of unrecognised tax asset relating to tax losses	-2,054	-6,154
Revaluation of DTA due to changes in tax rates	-1,343	-
Tax on profit/loss for the year in accordance with income statement	-1,343	-2,984

As per December 2018, the Parent company Sensys Gatso Group AB had total estimated unutilised tax losses of TSEK 171,718 (160,613). Approximately SEK 95.9 million has been accounted for in the deferred tax asset to the amount of SEK 19.8 (21.1) million. Due to changes in corporate income tax rates in Sweden, the Deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at the new tax rate as of year 2021 of 20.6 percent. This resulted in a devaluation of the Deferred Tax Asset of SEK 1.3 million in 2018 from 21.1 million to 19.8 million. The devaluation of the tax assets resulted in an additional tax expense of SEK 1.3 million in the parent company.

Temporary tax differences

Temporary tax differences	2018	2017
Deferred tax recoverable	19,762	21,104
Accumulated tax losses	-	-
	19,762	21,104

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.

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 sales 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 2018, the Parent company Sensys Gatso Group AB had total estimated unutilised tax losses of TSEK 171,718 (160,613). Approximately SEK 95.9 million has been accounted for in the deferred tax asset to the amount of SEK 19.8 (21.1) million. Due to changes in corporate income tax rates in Sweden, the Deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at the new tax rate as of year 2021 of 20.6 percent. This resulted in a devaluation of the Deferred Tax Asset of SEK 1.3 million in 2018 from 21.1 million to 19.8 million. The devaluation of the tax assets resulted in an additional tax expense of SEK 1.3 million in the parent company.

The parent company has been loss making in 2017 and 2018, which could indicate a possible impairment. However, it is important to stress that the results of 2018 improved compared to 2017. Based on future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to contribute to the future profits by entries in to new markets and a broader product range that can be offered to existing customer relations. In 2018 the results for Sensys Gatso Sweden AB have been positive. Based on these assumptions management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilized in future.

Note 31 Intangible Fixed Assets

Intangible Fixed Assets	Customer contracts/ Customer relations		Product & software development		Total	
	2018	2017	2018	2017	2018	2017
Opening accumulated acquisition value	-	1,012	-	-	-	-
Acquisitions	-	-	-	-	-	-
Internal development	-	-	3,824	-	3,824	-
Disposals	-	-1,012	-	-	-	-
Translation effects	-	-	-	-	-	-
Closing accumulated acquisition value	-	-	3,824	-	3,824	-
Opening accumulated amortisation	-	-1,012	-	-	-	-
Disposals	-	1,012	-	-	-	-
Amortisation for the period	-	-	-	-	-	-
Translation effect	-	-	-	-	-	-
Closing accumulated amortisation	-	-	-	-	-	-
Opening accumulated impairment	-	-	-	-	-	-
Closing accumulated impairment	-	-	-	-	-	-
Translation effects	-	-	-	-	-	-
Carrying amount	-	-	3,824	-	3,824	-

Note 32 Tangible Fixed Assets

	Leasehold improvement		Furnitures, fixtures, etc		Total	
	2018	2017	2018	2017	2018	2017
Opening accumulated acquisition value	-	1,111	-	7,544	-	8,655
Acquisition per July 31st 2015	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Disposals	-	-1,111	-	-7,544	-	-8,655
Closing accumulated acquisition value	-	-	-	-	-	-
Opening accumulated depreciation	-	-112	-	-3,739	-	-3,851
Acquisition per July 31st 2015	-	-	-	3,739	-	-
Disposals	-	112	-	-	-	3,851
Depreciation for the period	-	-	-	-	-	-
Closing accumulated depreciation	-	-	-	-	-	-
Opening accumulated impairment	-	-	-	-1,843	-	-1,843
Translation effects	-	-	-	-	-	-
Disposals	-	-	-	1,843	-	1,843
Closing accumulated impairment	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	-

Note 33 Shares and participation in subsidiaries

	2018	2017
Opening acquisition value	413,952	383,952
Contribution to share capital in subsidiaries	0	30,000
Closing accumulated acquisition value and Carrying amount	413,952	413,952

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 are as follows:

Subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share	Carrying amount	
					2018	2017
Sensys Gatso Sweden AB	100%	556811-3376	Jönköping	500	30,050	30,050
Sensys Gatso Group BV	100%	34030301	Haarlem, NL	3,598	383,952	383,952
Sub-subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share		
Sensys Gatso Netherlands B.V.	100%	34065996	Haarlem, NL	500		
Gatsometer Europa B.V.	100%	34077170	Haarlem, NL	400		
Sensys Gatso Managed Services B.V.	100%	34064750	Haarlem, NL	400		
Sensys Gatso Australia Pty Ltd.	100%	ABN20086 166494	Sydney, AUS	1,000		
Sensys Gatso Deutschland GmbH	100%	HRB 67669	Hilden, DE	25,000		
FDFJ B.V.	100%	34279593	Aerdenhout, NL	50,000		
FDFJ Inc.	100%	4375982	Dover Delaware, USA	100		
Sensys Gatso USA Inc.	80%	4375979	Dover Delaware, USA	80		
Gatso Asia Ltd.	100%	1196483	Hong Kong, HK	1		
Gatso Canada	80%	BC1009998	Alberta, CA	10,000		
Sensys Gatso Japan KK	100%	0110-01-101894	Tokyo, JP	100		

Note 34 Bank facilities and other assets

The parent company has provided subsidiaries with loans up to SEK 30 Million with an ultimate maturity date of December 31, 2022. The loan bears and interest of 6% per annum.

Note 35 Prepaid expenses and accrued income

	2018	2017
Prepaid lease payments	-	16
Prepaid rent	-	31
Other items	689	110
Total	689	157

Note 36 Shareholders' equity

Share capital

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

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

Note 37 Bank overdraft facilities and other borrowing

The Parent company's interest-bearing borrowings	2018	2017
Due date for long-term loans:		
Within one year (EUR)	10,199	15,993
Between two and five years (EUR)	28,141	36,209
More than five years (EUR)	-	-
Total	38,340	52,202

The average interest on the Vendor loan has been SEK 0. We refer to note 18 of the consolidated disclosures for a detailed installment schedule.

Note 38 Transactions with shareholders

Liabilities to shareholders	2018	2017
Non-current liabilities vendor loan	28,141	36,209
Current liabilities vendor loan	10,199	15,993
Closing liabilities to shareholders	38,340	52,202
Non-current liabilities to shareholders	2018	2017
Opening liabilities	36,209	60,705
Change in present value	793	1,560
To current liabilities to shareholders	-10,199	-27,579
Currency and fair value adjustments	1,338	1,523
Non-current liabilities	28,141	36,209
Current liabilities to shareholders	2018	2017
Opening liabilities	15,993	-
Current part of vendor loan	10,199	27,579
Off-set vendor loan in New share issue	-17,502	-11,137
Currency effects	1,509	-449
Current liabilities	10,199	15,993

Note 39 Accrued expenses and deferred income

	2018	2017
Accrued salaries	481	1,872
Holiday pay liability	-	524
Social charges	36	506
Deferred income	-	-
Accrued Audit and board fee expenses	2,055	1,556
Other	86	318
Total	2,658	4,776

Note 40 Audit fees and reimbursement of related costs

PwC/BDO	2018	2017
Audit assignment BDO	825	1,368
Auditing work over and above the audit assignment PwC	574	207
Tax consulting PwC	123	531
Other assignments PwC	646	117
Total	2,168	2,223

Note 41 Pledged assets and contingent liabilities

Pledged assets	2018	2017
Floating charge	15,000	30,000
Total pledged contingent liabilities	15,000	30,000

Note 42 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 20,606 shareholders. Together, the ten largest shareholders hold 34.7 percent (34.4) of the shares outstanding.

Note 43 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 44 Proposed appropriation of profit or loss

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

Share premium reserve	397,379
Retained earnings	-6,515
Result for the year	-11,122
Total TSEK	379,742

The Board of Directors proposes that no dividend will be paid for 2018 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 9 May 2019.

Jönköping, 9 April 2019

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 9 April 2019

Johan Pharmanson
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 AB (publ) for the financial year 2018 except for the corporate governance statement on pages 28-32. The annual accounts and consolidated accounts of the company are included on pages 22-70 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 2018 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 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 28-32. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been

provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

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

Impairment test of goodwill

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

On pages 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 2018.

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

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

How our audit addressed the Key audit matter

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

In our audit, we checked the most important assumptions made by the group management and Board of Directors which were applied in the impairment tests, such as those regarding growth, profitability and the discount rate. We assessed these assumptions, by comparing against Sensys Gatso Group's budget per segment and also against historical outcome. We executed

an independent assessment with the starting point being the market economic premises for the various cash-generating units included in each segment. The applied discount rates per segment were checked against observable market data. We also examined the starting point for the determination of significant assumptions to ensure that they are consistent with the previous year. We audited the simulations and sensitivity analyses undertaken by the group management and Board of Directors. These tests have also provided the basis for our control of the disclosures provided in the annual report in Note 9. As a final, overall control, we have compared the company's stock exchange value in relation to its calculated net realizable value.

Valuation of deferred tax recoverables attributable to unutilised tax losses

In Note 11, it is stated that the group reports deferred tax recoverables totaling 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 area has been of special significance in the audit.

How our audit addressed the Key audit matter

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

we deemed that the nature of the US tax system in terms of losses carried forward is relatively complex.

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

Other Matter

The financial statements of Sensys Gatso Group AB for the financial year ended December 31st 2017 were audited by another audit firm who expressed an unmodified opinion on those statements on April 17th 2018.

Other Information than the annual accounts and consolidated accounts

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

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sensys Gatso Group AB (publ) for the financial year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's

and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

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

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts.

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

The auditor's examination of the corporate governance statement

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

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

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

BDO, was appointed auditor of Sensys Gatso Group AB by the general meeting of the shareholders on May 17th 2018 and has been the company's auditor since the May 17th 2018.

Stockholm April 9th 2019

BDO Mälardalen AB

Johan Pharmanson

Authorized Public Accountant

Information to the shareholders

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

- » Q1 2019, 25 April
- » Q2 2019, 29 August
- » Q3 2019, 28 November

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

Annual General Meeting of Shareholders

Sensys Gatso will hold its Annual General Meeting of Shareholders on 9 May 2019 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 3 May 2019, and have given notice of their intention to attend the Meeting by 3 May 2019.

In order to be entitled to attend the Annual General Meeting and exercise their right to vote, shareholders whose shares are registered under a nominee name must temporarily register the shares in their own name. Such registration must be handled by the trustee/bank and shall be completed with Euroclear Sweden AB by 3 May 2019.

Notification of intention to attend

Notice of intention to attend the Annual General Meeting must be made to Sensys Gatso by 12 noon on 3 May, by mail:

Sensys Gatso Group AB
Box 2174
550 02 Jönköping
by telephone: +46 (0)36-34 29 80
by fax: +46 (0)36-12 56 99
or by e-mail: info@sensysgatso.com

Audit committee

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

Remuneration committee

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

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

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 17 May 2018, 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

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

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

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

Proposals to the 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

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

Sensys Gatso is a global leader in traffic management solutions for nations, cities and fleet owners. Sensys Gatso has subsidiaries in Australia, Germany, the Netherlands, Sweden, and the USA, and a branch office in the United Arab Emirates. The Sensys Gatso Group's shares are listed at NASDAQ Stockholm and has a total of 195 employees.

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