

An aerial photograph of a multi-lane asphalt road winding through a dense, lush green forest. The road has white lane markings and a yellow center line. Several vehicles, including a white truck and several cars, are visible on the road. The forest is thick with trees of various shades of green, creating a textured canopy.

**Sensys
Gatso
Group**

› **2020**

Annual Report

Table of Contents

Comments from the CEO	4
2020 in brief	6
Significant events	7
Sensys Gatso Project Profiles	8
Sensys Gatso solutions promote reduced negative environmental impacts from vehicles	12
Sustainability Report	16
Auditor's report on the statutory sustainability report	20
Long-term financial goals	21
The Share	21
Administration Report	22
Five year summary	26
Key figures	27
Corporate Governance Report	28
Board of Directors	34
Senior executives	35
Group: Statement of Income and other comprehensive income	36
Group: Balance Sheet	37
Group: Statement of changes in shareholders' equity	39
Group: Cash Flow	40
Accounting and valuation principles	42
Notes on the accounts, Group	50
Risk management	61
Parent company: Income statement	64
Parent company: Balance Sheet	65
Parent company: Cash Flow	67
Parent company: Statement of changes in shareholders' equity	68
Notes on the accounts, Parent company	69
Auditor's report	75
Information to the shareholders	78
Addresses	79

2020 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 2019 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 Investera/Investor Relations, where a printed copy of the Annual Report may also be ordered. A copy of the Annual Report can also be obtained by calling +46 (0)36-34 29 80, or by e-mailing a request to info@sensysgatso.com.

Our Purpose

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

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

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

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

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

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

Sensys Gatso. Making traffic safer.

Our Mission

Sensys Gatso - Making traffic safer

Our Vision

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

Comments from the CEO: "Building a Sustainable Organization to Support our Long-term Strategy"

2020 was by all accounts an unusual year given the global pandemic, which affected people and economies the world over. We had our most successful year ever thanks to our people that came together to deliver on our promise - to help reduce the number of casualties from traffic collisions.

When reflecting on 2020, I am most proud of how we were able to develop the business to reach the highest order intake ever and close three of the largest contracts in the company's history. We were able to do this because we came together as one global team. First and foremost, the winning recipe focused on ensuring all of our employees were safe and healthy. Thereafter, to ensure customer engagements would continue, we developed contingency plans. We were fortunate that in 2019 Sensys Gatso implemented a strategy providing flexible working environments, which already then allowed us to be an agile organization. This proved to be a great benefit in 2020.

"We have continued to execute our strategic plan and we remain on track with our long-term financial goals."



Success based on a winning mentality

As a company, we have over 60-years of experience in delivering traffic enforcement solutions. We needed to take this experience and build a team for the future that could deliver on our strategy. When joining Sensys Gatso in 2017, I saw the opportunity to further integrate what was originally two merged companies. We united by introducing a new leadership team that was tasked to deliver on our longer term goals - which we refer to as our four pillar strategy. In connection with the new leadership team, we decentralized the organization and gave the geographical units P&L responsibilities. This brought enthusiasm to the business given the local entities are better able to understand and support local needs, allowing each country to develop plans for country specific issues. Together we develop our strategy and our business. Fast forward to 2020, and the results are proof enough that our organization works.

We reached an order intake of SEK 788.4 million, which was 40% higher than the previous year, while net sales increased to SEK 454.9 million - an increase of 12% year on year. At the same time, we increased our operating profit, EBITDA, to SEK 59.4 million, twice the amount compared to last year. The best part of 2020 was that our business grew globally - in all regions where we are represented, making us the true global leader of our industry.

When the pandemic broke out globally, we were able to quickly and seamlessly continue to work with our customers. Our software driven solutions entail an extensive sales and implementation process and our customers wanted to continue with their on-going projects given they saw the benefits of reduced traffic incidents that would otherwise weigh on already overwhelmed healthcare systems.

Full solution supplier

Our solution offering is a mix of system sales and managed services, which we call TRaaS - Traffic Enforcement as a Service. The combination of the two offerings allows us to address the broader market based on the diverse needs inherent in different geographic locations. We are a top-light organization that is agile and can work across markets

to deliver our solutions. For example, in the US TRaaS is the preferred solution. Outsourcing is common in the US market, which is evident through the exceptional number of TRaaS agreements signed in 2019 and 2020.

In the Kingdom of Saudi Arabia we are delivering a tailor made system solution. A system sale made more sense given the market dynamics in the region. The contract represents the largest contract in the history of our company, and as such tailormade system solutions remain an important component of our total offering. On top they can be the stepping stone into expanding our business towards TRaaS solutions in the future.

Driving the business forward

TRaaS is an important solution in that it leads to long-term customer relationships and recurring revenues with higher margins. TRaaS now represents about 48% of sales. As part of our Four Pillar strategy, we look to increase TRaaS sales to about 60% of our total business, where the recurring revenue will provide us an important base for growing our business even further.

The directed share issue in 2020 was important for us to support our steep growth achieved last year. We secured three of the largest customer contracts in the company's history and we needed funding to address and accelerate our growth plan. This includes investments in expanding in current and new markets to make traffic safer and cities more sustainable. Our immediate focus is to grow our TRaaS sales and continue to deliver on our strategy.

Our solutions deliver positive environmental impacts

Sustainability aspects are embedded in our solutions - it is what we do. Aside from saving lives through our speed enforcement programs, our solutions also support a reduction in emissions and pollution by ensuring even-driving patterns and reduced driving speeds that can

lower vehicle emissions by as much as 25%. We also actively work with the environmental impacts that we as a company can affect. Our Environmental Management System, which is a company-wide platform that addresses environmental aspects and resource and material usage, is the backbone of this work. We call this program Green SGG, and its purpose is to ensure our entire organization works to do what we can to protect our environment and save resources.

Outlook

Talent Management is an important component of creating the best team for our business. I take it as my personal responsibility to ensure we have the right people in the right place who can drive our business - people who have a winning mentality. This requires specific different skills and leadership profiles, which is how we have met our goals so far and is how we will meet our goal of more than doubling our business by 2025.

So far 2021 looks promising as we see positive signals that we will return to some level of normalcy during the year, with renewed interest in postponed projects. In the US, for example, we see a continued interest in our TRaaS School Zone speed enforcement program, especially now as schools start to re-open broadly.

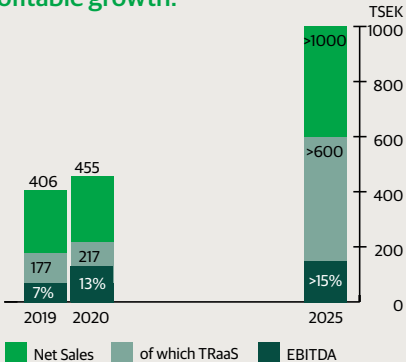
Our mid-term ambition is to increase sales to a total of SEK 1 billion, where TRaaS sales will account for SEK 600 million of the total. At the same time, our goal is to increase our operating margin from the current 13% to more than 15%. I am proud to be part of an organization that is so committed to delivering on our 2025 financial goals.

Ivo Mönnink,
CEO, Sensys Gatso Group AB

Long-term financial goals

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

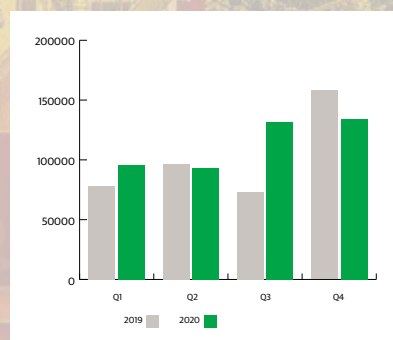
- » Expansion in the US-market with TRaaS
- » Entry into new markets with TRaaS
- » Developing scalable software & flexible hardware
- » Extension of the service scope in existing markets



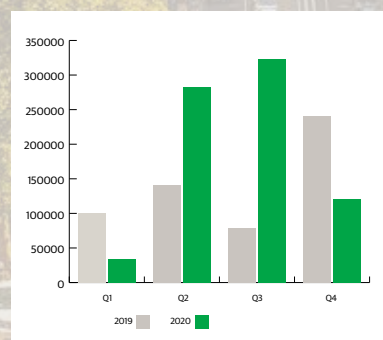
2020 in brief

- » Net sales MSEK 454.9 (406.3)
- » Order intake MSEK 788.4 (561.9)
- » Operating profit MSEK 10.8 (-24.4)
- » Gross margin (%) 35.6 (35.7)
- » EBITDA MSEK 59.4 (28.6)
- » The profit after tax MSEK 3,9 (-15.1)
- » Comprehensive income MSEK -15.7 (-6.2)
- » Earnings per share, before and after dilution, SEK 0.01 (-0.02)
- » Cash flow from operating activities amounted to MSEK 15.5 (-3.7)

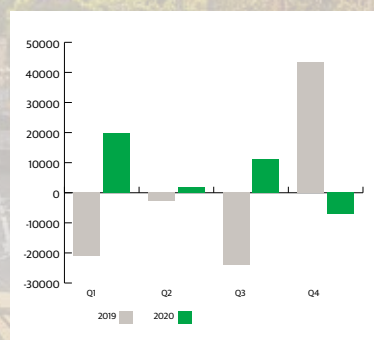
Net sales



Order intake



Cash flow



Significant events

Q1

- » 7 January - Sensys Gatso receives five-year TRaaS contract, valued at SEK 28 million, for a new school zone speed enforcement program from St. Mary's, Georgia, USA
- » 7 February - Sensys Gatso expects to receive notice of award in Costa Rica, Central America, valued at SEK 192 million
- » 12 February - Sensys Gatso confirms notice of award in Costa Rica, Central America, valued at SEK 192 million

Q2

- » 8 May - Sensys Gatso receives order from the Swedish Transport Administration worth SEK 24 million
- » 15 May - Sensys Gatso confirms contract signature in Costa Rica, Central America, valued at SEK 192 million
- » 2 June - Sensys Gatso receives five year TRaaS contract, valued at SEK 21 million for school zone photo enforcement in the city of Parma, Ohio
- » 11 June - Sensys Gatso receives four year TRaaS contract extension, valued at SEK 8 million, for section control in the Netherlands
- » 22 June - Sensys Gatso completed growth financing with Rabobank of SEK 50 million

Q3

- » 10 July - Sensys Gatso has received a procurement award for red-light and mobile speed enforcement in Malaysia worth SEK 14 million
- » 15 July - Sensys Gatso receives Purchase Order for upgrade of technology under an existing TRaaS maintenance services contract to the value of SEK 6.4 million in Australia
- » 3 August - Sensys Gatso receives contract from Saudi Arabia worth SEK 275 million
- » 6 August - Gatso Special Products B.V. informs Sensys Gatso Group about the intention to convert the installment of EUR 1 million of the Vendor loan into shares
- » 22 August - Sensys Gatso USA Announces the Fulfillment and Finish of the Oklahoma Uninsured Vehicle Enforcement Diversion (UVED) Contract
- » 9 September - Sensys Gatsos directed new share issue heavily oversubscribed, thereby raising proceeds of SEK 75 million
- » 29 September - Sensys Gatso Receives Five-Year TRaaS Contract Extension in Edgewood, Florida worth SEK 7 million

Q4

- » 2 November - Sensys Gatso receives four year TRaaS contract extension, valued at SEK 5.7 million, for section control in the Netherlands
- » 16 November - Sensys Gatso Receives Five-Year TRaaS Contract Extension in Abington, Pennsylvania worth SEK 23 million
- » 25 November - Sensys Gatso receives a five-year TRaaS contract valued at SEK 34 million for school zone photo enforcement in the city of East Providence, Rhode Island
- » 2 December - Sensys Gatso receives approval for five-year TRaaS contract from Jamestown, New York valued at SEK 32 million for school zone speed enforcement

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

www.sensysgatso.com

Sensys Gatso Project Profiles

Sensys Gatso is executing projects all over the world with many customers. Those projects are intended to change driving behaviour in order to increase traffic safety. In this section of the Annual Report, some projects have been selected to give meaning how those projects do indeed contribute to increasing traffic safety and saving lives. The stories are being told by Sensys Gatso's own employees who have played key roles in the execution of the projects. They have seen firsthand the results those projects have had and know how successful the projects have been.

HOW CUSTOMIZATION OF THE T-SERIES RT4 SOLUTION ENABLED SPEED ENFORCEMENT ANYWHERE AND ANYTIME IN VICTORIA, AUSTRALIA



Alistair Wiggins
Sydney, Australia

Career

Technical Director , Sensys Gatso Australia - with Sensys Gatso since 2011

Masters Degree (MEng) - Electronic & Electrical Engineering University of Leeds Chartered Engineer (CEng) - Engineering Council Registration No. 451903 1987 to 1991

THE BASICS

Client: Department of Justice & Community Safety (DJCS)

State: Victoria

Project: Mobile Camera Replacement & Expansion Programs

Staff: Australia 34 & Netherlands 5

Product: T-Series Mobile Speed Camera with RT4 Tracking Radar

Quantities: 150 systems delivered

Partners: Serco - Operate systems on behalf of DJCS, DJCS Testing Services Provider

Contracts: DJCS - Supply, installation & maintenance, Serco Australia - Maintenance

The challenge

Like many jurisdictions around the world, our client, the State Government of Victoria faced the challenge of an ever increasing road toll. As part of its Towards Zero Road Safety Strategy, multiple initiatives were identified under the categories of Safer Roads, Safer Vehicles, Safer People and Safer Speeds.

As part of the Safer Speeds category, the Government identified speed management and speed enforcement as key priorities in the effort towards reducing death and serious injury on Victoria's roads. There is a positive correlation between road safety cameras and saving lives. Enforcing speed-related offences increases road safety and reduces the road toll.

Victoria's road safety camera program comprises both mobile and fixed cameras working in tandem to ensure that speed enforcement coverage is maximised across Victorian roads. Mobile road safety cameras aim to generate general deterrence across the entire road network via an 'anywhere, anytime' operational mode deployed in over 2000 locations.

The State Government of Victoria had a fleet of over 80 legacy Gatso speed cameras that had operated successfully for over 10 years, but were due for replacement. The technology had limitations on where it could be deployed and reducing these limitations was a State priority for the replacement process.

A Mobile Camera Replacement program was created to procure and deploy new mobile camera systems to upgrade the State's 'anywhere, anytime' operation objective with new technology. The Government converted it's objectives into a challenge to the enforcement industry to develop a solution that could accurately monitor multiple lanes in both directions, operate in high-density surroundings and under a broader range of environmental conditions, but - most importantly - was safe and easy to operate. Sensys Gatso accepted the challenge.

The process

Our client took a structured approach to issuing the challenge to the enforcement industry. To ensure that the most appropriate solution was selected, a three part process was used.

Part 1 - Marketplace tender. Sensys Gatso initially responded to a tender issued to the enforcement industry which called for innovative and compliant responses to the challenge. The responses were assessed against the State's requirements.

Part 2- Proof of Concept (PoC). Following the tender evaluation Sensys Gatso was invited to participate in a Proof of Concept process. A sequential demonstration process for each proposed solution was undertaken by the client to further assess technical suitability.

Part 3 - A competitive pilot. Sensys Gatso was finally invited to participate in a competitive pilot for consideration by the State as the supplier of the replacement solution. On the basis of its performance in the competitive pilot, Sensys Gatso was chosen as the State's preferred supplier of product and services.

The Sensys Gatso approach to addressing the challenge through all parts of the process was based around integrity, collaboration and flexibility.

Integrity was centered around the secure and accurate output of the systems. We focused on open communication around what we were and were not able to achieve.

Collaboration and flexibility used an open communication approach to listen to the client's underlying objectives and work through how they may be achieved - whether it be through technical modifications, operational procedures or acceptable specification revisions.

During the Proof of Concept, Sensys Gatso's proposed solution was demonstrated during trials held by the side of the road and at a test track. The testing included representatives from the Victorian State Government, Victoria Police, Serco (the operators of the existing and new systems) and multiple team members from Sensys Gatso in Australia and the Netherlands. The results of the trials were independently reviewed by the client's appointed Testing Services Provider (TSP).

Following a successful Proof of Concept, Sensys Gatso was invited to the competitive pilot process to have a head to head comparison against another supplier.

The output from the PoC was used to refine and optimise our proposed solution. The modified systems were then deployed into multiple vehicles which were fitted out with the Mobile Speed Camera solution. Once again, extensive testing took place in the lab, on a race track and included on-road trials with Serco operators. The independent TSP was used to verify outputs. This process was invaluable to ensure the system met the requirements of all parties.

During the process we addressed multiple objectives :

- » Ease of use (quick enforcement session set-up)
- » Safety of camera car operators (minimal time outside of the vehicle)
- » Quality and accuracy (image quality, correct speed and lane identification)

...and we overcame multiple challenges:

- » An independent secondary speed verification device using a separate technology
- » A system totally installed inside the vehicle in a rear-facing mode of operation
- » A system able to operate through rear window glass
- » A universal mounting solution that could be used in multiple model vehicles.

After the intense competitive pilot process, Sensys Gatso was selected as the preferred supplier. We were proud to have gained the confidence of our client and their trust to deliver a solution that met their objectives.

The solution

After multiple years and an extensive assessment process and solution development cycle, our client selected Sensys Gatso for the provision of Mobile Road Safety Camera systems and ongoing support services. The supply contract started with the delivery of 10 initial systems as Phase 1, followed by multiple subsequent phases where additional systems were produced, installed and placed into operation. Once in operation, Sensys Gatso provides ongoing hardware and software support services.

The solution is based on our latest T-Series cameras, featuring an RT4 tracking radar. It's a fixed system normally used for intersection, highway speed and red-light enforcement. It has been customised so it can be used as a mobile road safety camera system mounted inside a vehicle. The end product meets all of the customer's strict requirements for image quality, ease of operation and flexibility in deployment. The T-Series Mobile solution achieved the desired goal of a mobile speed camera that really can be deployed anywhere and at any time. The system includes a laser based secondary speed measurement device and a Target Vehicle Marker (TVM) feature to identify the speeding vehicles. The system enforces over six lanes of traffic in either direction and can detect multiple vehicles simultaneously. There is currently no other solution deployed in Australia that provides this level of performance.

Our project is an excellent example of successful collaboration between industry and Government. It resulted in a world leading customized solution. All requirements of all parties were met and the desired road safety outcomes were achieved. Up to this day we have sold over 150 systems that are in operation across the State of Victoria.

HOW THE CITY OF PAWTUCKET MADE ITS SCHOOL ZONES SAFER



Michelle Pavao
USA

Career

Finance & Operations Manager, Sensys Gatso USA
with Sensys Gatso since 2017
Merrimack College - B.S. in Business Administration
1989 - 1993
major in Accounting / minor in Economics

THE BASICS

Client: The City of Pawtucket
State: Rhode Island
Project: School Zone Speed Enforcement Program
Staff: USA 12 and Netherlands 5
Product: TRaaS Program driven from T-Series Pole Mounted Speed Cameras
Quantities: 26
Partners: Sensys Gatso USA direct to the City of Pawtucket

The challenge

The Mayor of Pawtucket was very concerned about the volume of speeding cars near schools in his city. The statistics were showing that children were at a higher risk of being struck by these high speed vehicles and it was time to take serious measures.

In many states across America implementing speed cameras can be a challenge and in some cases, individual states do not have the enabling legislation necessary to start such an automated enforcement program. However, over the last four years or so there has been a positive change in the perception of speed cameras and as part of that growth a few states have passed legislation for camera enforcement in school zones, specifically. There is common acceptance of placing speed cameras in school zones, defined as areas around the perimeter of a school that has reduced speed limits during certain hours of the day and keeping children safe is close to everyone's heart. The Mayor of Pawtucket felt this way too. An important requirement for the system to be approved in Rhode Island was that the enforcement can only be active between the hours of 07:00 to 18:00 and only on days when school is in session. Not every school has the same schedule, so it was important that each camera could be programmed with the appropriate enforcement windows and schedules.

The process

When the city of Pawtucket received state legislated permission to install speed cameras, the stakeholders issued a request for proposal (RFP). After a lengthy submittal and review period we were selected as a finalist. At that point, we gathered our team for an in-person presentation to the police department, finance department, as well as the Mayor's office and administrators. We knew that we had to give them a live demonstration of our user-friendly, intuitive software, which is often a differentiator for us over the competition. We were able to use another one of our client's software instances to give them a driving lesson and to show them the robust features available, such as ready-to-go reports useful for all of the parties sitting at the table that day. A live demonstration is very compelling and shows prospective clients that they are in good hands. After all, that is what a TRaaS program is all about. In the end, we were selected as the full-service provider for the city of Pawtucket and the project implementation phase started in 2019.

We started the program in September of 2019 with a warning period, before moving into active enforcement in the middle of October. Leading up to the warning period, we talked for weeks and months with all the stakeholders on this project. We had to figure out precisely where to put the speed cameras. Where are the biggest road safety issues? Which schools need the most focus? Where do we start? And which schools will follow? When we got this right, we needed to look into the actual placement of the cameras. Where are the children coming from? In which directions should the cameras face? Choices needed to be based on statistics and facts. The program set-up work required 6 staff members in the U.S., as well as some software developers in the Netherlands.

From Pawtucket's perspective, a very important element of the contract is the level of service and flexibility that is required. When a school has a change in their schedule we need to act immediately. For example, when the teachers have a training day and the school is closed, we have to adjust the cameras near that school. Sometimes things are not planned. There can be a snow alert and the schools close for example. When this happens, we receive a text message the night before and we need to turn off all the cameras before the morning comes. We have an important task to keep the calendar up to date.

We started the program by sending tickets (warnings) that people didn't have to pay. It was simply a way to alert the residents in and around Pawtucket that the program is real and accurate and that in a couple of weeks it will be turned on with actual citations. It is important that the public is aware and informed of what is taking place in their city.

The solution

We installed T-series cameras onto city-owned power poles throughout the school zones and connected them to our Xilium back-office TRaaS software. Currently we operate 26 cameras in Pawtucket and work closely with the city program managers to ensure any new cameras are located in zones where data-driven analytics demonstrate the most impact. During the last year we have seen a demonstrable reduction in speed violations which translates into increased pedestrian and vehicular safety at those locations. During the first couple of weeks follow-

ing the implementation program, the violation numbers were incredibly high. It was hard to believe. Clearly the speeding that was occurring in school zones was a far larger problem than the city could have imagined. While the numbers are still relatively high in relation to other school zone speed programs under our management, we feel confident that further driver behavior improvements will be seen in the coming months. We have a real partnership with the city and together we are dedicated to making the school zones in Pawtucket safer.

HOW SENSYS GATSO DESIGNED AND MAINTAINED THE DUTCH A2 HIGHWAY POINT TO POINT SYSTEM TO REACH A YEARLY AVAILABILITY OF 99,8%



Frank Wilmink,
The Netherlands

Career

Sensys Gatso Group AB- Head of Customer Support with Sensys Gatso since 2000
Bachelor of electronics, HTS Haarlem - 2000
1996 to 2000

THE BASICS

Client: Openbaar Ministerie (Public Prosecution Service)
Country: The Netherlands
Project: Highway A2 Point to Point system (Service and Maintenance)
Staff: 7
Product: Based on 2 Mpixel GS2 smart camera with basic ANPR, Loopless Trigger Radar, local PC for roadside data storage and full ANPR, mobile internet communication, central matching server, all Linux based and all industrial standard
Partners: ±30
Clients: 30
Contract: EG033

The challenge

Our customer, the Dutch Public Prosecution Service was looking for a stand-alone, automated and completely managed system to detect and process speed violations for the A2 highway between two major cities. They issued a tender for the design, implementation, management

and maintenance of a point-to-point system. The OM wanted to be the owner of the hardware but also wanted to be fully serviced. The main KPI for this 8-year contract was an availability of 98% (up time of the system). Another important indicator was the chance of being caught. The goal was to measure the speed of 75% of the passing cars. We call this the matching percentage. To reach these percentages it's important to have a high service level. When a camera has an error or is in need of replacement it has to be fixed as quickly as possible. The OM also put a bonus malus system in place to ensure a good service level. There was one more important indicator. The OM had a requirement on automatic processing of the violations. They wanted that 90% of the violations had to be suitable for automatic processing. The challenge with this tender was to convince the OM we could offer this complete package: hardware, software, service and maintenance. Not just saying we were able to do it, but also showing them in detail how we would service them together with our partners.

The process

During the bid phase we formed a team of specialists to come up with the best plan and approach. Besides thinking about the design of the system and software we also had to think about the 8-years of service ahead. What kind of hardware do we use? Do we need an agreement with our suppliers on hardware availability for the next 10 years? How do we safeguard the knowledge if employees would leave the company? A multi-disciplinary team consisting of a project manager, lead architect, infra structural expert, software engineers and support engineers was needed to make this project into a success. The overall architecture, especially the data communication and the specific customizations were the biggest challenges in this project. The most important score within the bid phase is the EMVI-score. This is about the most profitable proposal. So, the OM was not only looking for the lowest possible price. They were also looking for value for money. Because we have been working with the OM for many years, we knew how to approach and convince them. We became one of the two suppliers to whom the project was awarded.

The solution

Our support department delivered an end-to-end service and maintenance model in which the critical process indicators were leading. With monitoring, quick response times and detailed reports to the client we managed to keep the system outperforming the initial requirement for 8 years. We showed an availability of 99,8 (target 98%) and a matching percentage of 84,82% (target 75%) in 2020. Resulting in earning bonuses every year since 2012 for our excellent performance. Besides these yearly bonuses, we were rewarded with a contract extension of 4 years on the A2 system. Normally an extension would be 1 or maybe 2 years. This 4-year extension means the client has great confidence in our solution and contract management.

Sensys Gatso solutions promote reduced negative environmental impacts from vehicles

Our market

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

Saving Lives

Sensys Gatso solutions were developed for improved traffic safety. Our products and services help drivers be responsible citizens by maintaining proper speeds thereby saving lives. According to the Association for International Road Travel, there are approximately 1.35 million road casualties every year - that's about 3700 casualties every day⁽¹⁾. In the US, for example, road crashes are the leading cause of death for people aged 1-54⁽¹⁾.

For example, our installed speed enforcement solution in Cedar Rapids, Iowa in the U.S., led to a reduction in road casualties from an average of 9 per year to zero. The city of Cedar Rapids turned to Sensys Gatso for a solution to reduce, or even eliminate, road deaths. After careful analysis of the traffic patterns and crash data, Sensys Gatso presented a successful comprehensive plan to improve road safety. Our installation is an example of our TRaaS offering, which includes various types of enforcement equipment to address the problems in the city's intersections, open roads and the part of the interstate that runs through the city center.

Mitigating carbon emissions

Sensys Gatso solutions not only help save lives by preventing road crashes - our products and services also contribute to the reduction of carbon emissions and lower pollution levels. Emissions from transportation accounts for about 1/5 of global carbon emissions, where road transportation accounts for 72%. Lower speeds, however, lead to the reduction of both carbon emissions and the release of pollutants, called NOx particles⁽²⁾. Reducing speed limits from, for example, 75mph to 60mph result in a 25% reduction in emissions⁽³⁾.

Countries globally are also grappling with how to lower carbon emissions to meet the Paris Agreement, which looks to limit global warming by at least two degrees. One focus area is vehicle emissions⁽⁴⁾. Our solutions help mitigate carbon emissions released from vehicle transport by ensuring drivers maintain lower, more environmental, speed limits.

One example of this is our Point-to-Point speed solution that promotes lower emissions by bringing about a behavioral change in the way people drive. The solution - developed to measure and ensure adherence to local speed limits between two points - causes drivers to maintain lower speeds for long stretches, thereby changing how people behave in traffic. The reduced speeds lead to lower emissions and a reduction in pollutants.

Reducing the release of pollutants

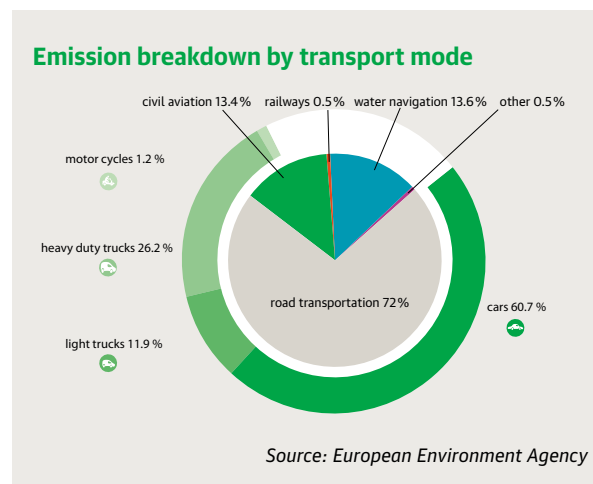
Sensys Gatso solutions also lead to traffic flows that are even, with limited accelerations and braking. Research shows that acceleration, deceleration and braking, all increase air pollution⁽⁶⁾. The moderate and constant-speed traffic flows brought about through our solutions helps mitigate the environmental impact from vehicle traffic.

Research also shows that exposure to poor air quality leads to increased premature mortality from cardiovascular and respiratory diseases⁽⁵⁾. This is a particular problem in dense cities. Sensys Gatso's solutions can also be deployed to restrict vehicle access in designated areas - reducing both emissions and pollutants.

Case study - Amsterdam low emissions zone

Amsterdam, like many cities, is working hard to meet EU air quality standards. As a response to this, the Amsterdam City Council established a Low Emission Zone to keep heavy trucks and polluting cars out of the city center. Before the zone was introduced, almost one third of all trucks in the city center exceeded emissions limits.

The challenge was how to enforce the Low Emissions Zone. In 2010, the city of Amsterdam procured a tailor made solution from Sensys Gatso to limit heavy trucks and polluting cars from entering the city center in order





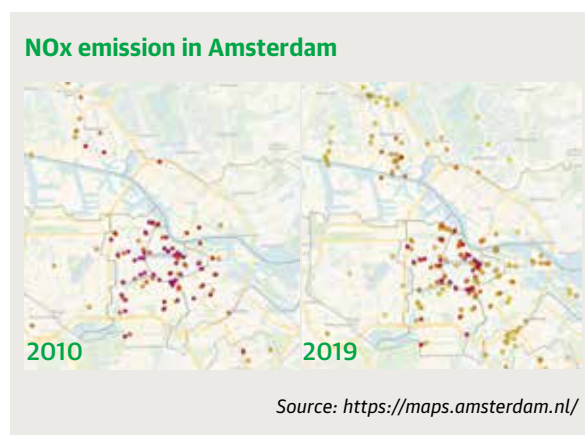
to reduce emissions and pollutants. After less than two years from the automated enforcement system's operational start, 99% of all vehicles entering the zone are checked, 89% are fully compliant, 9% have obtained a special permit and only 2% receive a fine. The solution provided by Sensys Gatso means that particulate levels in Amsterdam have fallen to within EU air quality limits.

Sensys Gatso's direct environmental impacts

Sensys Gatso has developed an Environmental Plan that is an integral part of our management system, and available for all employees globally to follow. The plan includes, for example, environmental consideration for the Design process, Logistics and Supply and Services.

The organization does its part through our goals of reducing our own carbon emissions footprint guided by the principles and processes of the applicable environmental guidelines, certifications and regulatory directives. For example, in the Netherlands Sensys Gatso has maintained its ISO 14001:2015 certification since 2010, which is an environmental management system that allows us to systematically enhance our environmental performance⁽⁷⁾. As part of this process we follow the below KPI's to monitor progress, where our goal is to save, on average, 3% per year on facility resources like electricity, gas and water. See page 17.

As a solutions provider, we supply and install systems globally that have an environmental impact. To limit this impact, Sensys Gatso follows a number of environmental legislations in the countries where we are active. As part of the European directive for Waste Electrical and Electronic Equipment (WEEE), we are obliged to accept products when returned, which are then dismantled, parts are recycled when possible and the remaining components are disposed of in an environmentally friendly way.



The WEEE directive addresses the materials and components that comprise this waste stream given their hazardous content. If these materials are not properly managed, they can cause major environmental and adverse health impacts. Treatment of these materials at the end of life are the backbone of the directive, which promotes the contribution to a circular economy in how the waste is managed⁽⁸⁾.

The RoHS directive, for its part, addresses the elimination of hazardous substances in electrical and electronic equipment. Sensys Gatso sources most materials and products for our solutions in Europe. We ensure our suppliers meet the high European standards for electronic waste given all suppliers and sub-contractors in Europe are bound to comply with both the WEEE and RoHS directive.

Ensuring we do our part

Our environmental impact, performance, policies and registrations are periodically reviewed and audited for compliance to our own rules and any applicable legislation. The policies are included in our Environmental Management System, which is also periodically audited for compliance with the ISO 14001 standards.

Sensys Gatso is proud of our environmental achievements, and we continue to work with improvements to ensure we take our responsibility to protect our precious environment by always thinking "Green SGG".

Sources:

- <https://www.asirt.org/safe-travel/road-safety-facts/>
- <https://www.europarl.europa.eu/news/en/headlines/society/20190313STO31218/co2-emissions-from-cars-facts-and-figures-infographics>
- <http://content.tfl.gov.uk/speed-emissions-and-health.pdf>; <https://www.cbc.ca/news/technology/what-on-earth-speed-limits-climate-change-1.5684677>; https://www.researchgate.net/publication/223157431_PM_NOx_and_CO2_emission_reductions_from_speed_management_policies_in_Europe; <https://energynews.us/2020/03/20/midwest/do-urban-speed-limit-reductions-improve-air-quality-experts-say-not-so-fast/>
- <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>
- [https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196\(20\)30224-2/fulltext](https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196(20)30224-2/fulltext)
- https://www.transportenvironment.org/sites/te/files/publications/2018_04_CO2_emissions_cars_The_facts_report_final_0_0.pdf; <https://www.nap.edu/read/9676/chapter/1#369>
- <https://www.iso.org/standard/60857.html>
- <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584719987321&uri=CELEX:32019D2193>





Sustainability Report

The bigger picture

Several global trends continued to favor Sensys Gatso, not the least the world's drive for sustainable cities, reduced environmental impacts from vehicles and the fulfillment of the UN's 2030 sustainable development goals. Making roads safer by changing human behaviour in traffic is fundamental to our business strategy. Our TRaaS business model supports our customers in the transformation towards sustainable and safe environments.



Sensys Gatso develops, produces, markets and sells software driven system solutions and products to improve traffic safety. Our largest product category includes automatic speed and red light monitoring systems designed to prevent traffic accidents and thereby save lives. However, our solutions not only help save lives by preventing road crashes - our products and services also contribute to the reduction of carbon emissions and lower pollution levels.

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

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

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

Environmental - Sustainable cities

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

As a company, we need to meet these changes and challenges in advance - and assist our customers in meeting these new needs trends. Traditionally, Sensys Gatso's customers have been law enforcement authorities with the need to fulfill legal requirements, but today our customers are traffic safety authorities where safety is at the top of their agenda. We also see a trend where future customers will be cities and municipalities focused on providing high living standards where aspects such as user-friendly environments, accessibility and safety will score very high.

Environmental - A safer and healthier planet

As a company we are committed to reducing our own environment impact. Environmental issues are central to the process of developing new products and improving existing ones. Moreover, it is an essential part of how our employees think and act. Our products and services, as described on page 12-13 contribute to reduced greenhouse emissions through reduced speeds and smooth traffic flows.

An important regulation that Sensys Gatso complies with is the WEEE directive (Waste of Electric and Electronic Equipment) given our European centric product and services delivery model. The directive determines how we must handle electronics product waste. Sensys Gatso also complies with the RoHS directive (Restrictions of Hazardous Substances), which refers to restricting and removing hazardous substances from electrical and electronic equipment. Our subsidiary in the Netherlands, where we have production, is also certified under the ISO 14001:2015 standard, where we have determined KPI's

that most impact our environmental footprint. These include KPI's for usage of water, energy and gas and CO2 emission. The trend from 2012 onwards, is a steady decrease on all Key Performance Indicators.

Report on progress:

Examples of our sustainability approach in development;

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

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

Within transportation;

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

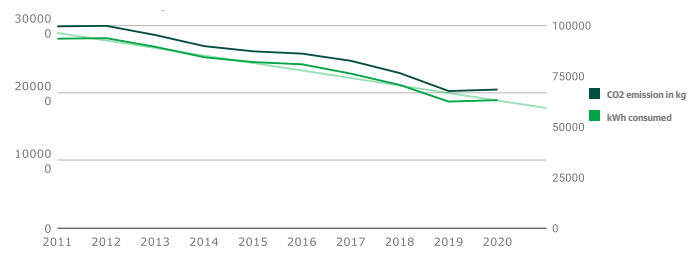
Within production;

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

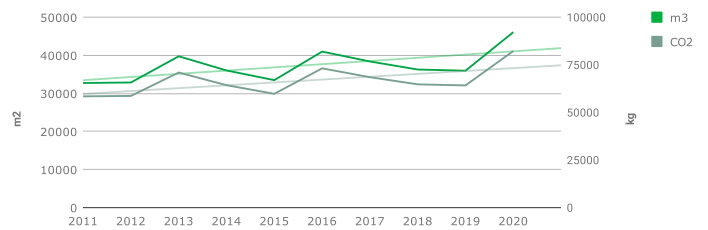
Sensys Gatso measures environmental risks in production through the Key Performance Indicators listed above. Our goal is reduce these impacts by 3% yearly, and we have managed these KPI's over the past 10 years.

We promote returning and recycling of products, and dismantle products when returned by a customer after use. The residual and product waste is collected, separated, reused and/or disposed of accordingly - contributing to the circular economy. It is critical that people are aware of

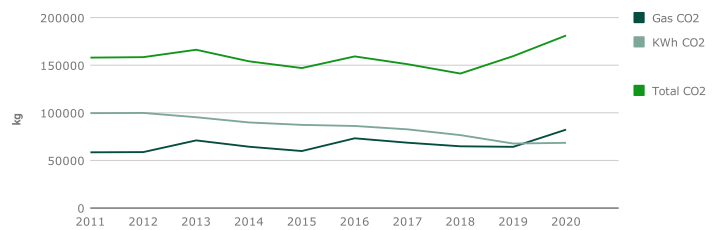
Electrical use kWh and produced CO2 at SGN



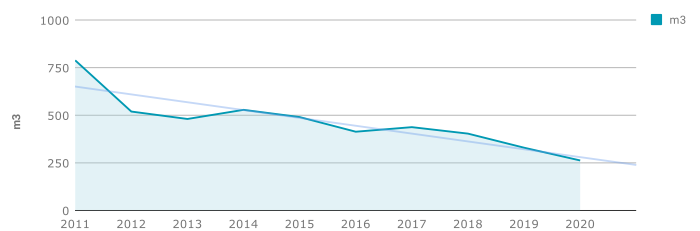
Gas use and produced CO2 at SGN



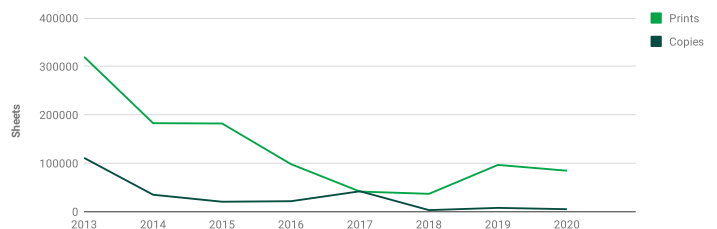
CO2 Emission at SGN (no cars)



Water use at SGN



Print, copies (paper use) at SGN



their impact on the environment. At Sensys Gatso people's sustainability awareness is continuously increased through our company wide information. This includes our efforts taken within the production facility to minimize our environmental impact - highlighted by using our "Green SGG" campaign sign throughout the facility.



Report on progress

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

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

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

We regularly provide our expertise and consult with multilateral organizations to contribute with our global insights. We have made presentations at, for example, UN-ECE, AfDB, IRF, RSSC (VTI), and ARSC (Asean Road Safety Centre) conferences. We share our extensive knowledge with our customers - governments and related stakeholders - by means of presentations and white papers.

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

Sweden's Vision Zero ambition is an important principle and has become a new global standard for traffic safety. Together with the Swedish Transport Administration, the Swedish Institute for Standards (SIS) has initiated an international effort and has developed a management system standard for road traffic safety - ISO 39001 - which was published in the autumn of 2012. The international interest is great and interest groups such as, WHO and World Bank have participated in the work. Road traffic safety not only concerns road builders, transporters and vehicle manufacturers, but all organizations that can influence or are affected by road safety. Sensys Gatso Sweden is a member of the committee.

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.

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

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. Read more about the Sensys Gatso case study from Amsterdam on page 12-13. Before the zone was introduced, almost one third of all trucks in the city center exceeded emissions limits.

Social - employees

The heart and soul of our business

As a global company, Sensys Gatso can make a difference in the world. In order to make the world a better place, our employees and business partners must take responsibility - for themselves and for each other. Sensys Gatso's Code of Conduct, is a regulatory framework that helps us remember who we are. The code is a set of professional rules, covering things like laws, regulations, values, and behaviors that define how we do business. Our Code of Conduct applies to all employees, and the Board of Directors. Its main purpose is to ensure that Sensys Gatso acts reliably and with integrity. Sensys Gatso is committed to making sure everyone in our business is treated equally. We want everybody to have the same opportunities, regardless of gender, ethnic origin, age, and religion. We embrace people's differences. When we mix, things get dynamic and interesting, bringing new perspectives and

ideas to the table. Therefore, Sensys Gatso has an equality and diversity policy. The purpose of Sensys Gatso's equality and diversity policy is to prevent individuals from being excluded due to gender, ethnic origin, age, and religion. The policy is also important to enable our ambition to build diverse groups. Our overall goal is that all tasks are evenly assigned throughout the entire workforce. To us, it's of utmost importance to avoid stereotypes and gender labels regarding certain positions and tasks. Read more about our equality and diversity policy on page 33.

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

Report on progress

UN Global Compact Labour principle 3-6:

In 2020 all subsidiaries maintained the same average percentage of sick days as previous years, 2 - 4 %. In general, we have a very healthy global workforce.

In 2019, we introduced a platform that allows for flexible working environments. The platform allowed us to seamlessly continue our deliveries during 2020 when the pandemic limited employee contacts, and contributed to maintaining the health and well-being of our staff.

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

Report on progress

UN Global Compact Human Rights principle 1-2: 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 to human rights within the projects we are involved in. However, some of our customers operate in countries with inadequate human rights. In order to be a responsible ambassador for human rights, for some projects we have internal workshops to highlight and discuss human rights in the countries at hand.

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

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

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

Report on progress

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

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

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

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

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

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

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

Auditor's report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 on pages 16-19 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinion

A statutory sustainability report has been prepared.

Stockholm April 6, 2021

BDO Mälardalen AB

Johan Pharmanson

*Authorised Public Accountant
Auditor in Charge*

Long-term financial goals

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

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

Sensys Gatso's long-term financial goals

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

Dividend policy

The Board of Directors of Sensys Gatso has not established a dividend policy and does not believe that a dividend will be paid in the near future. Generated net profit will be re-invested in the company to finance the growth plan. When the growth plan is fully financed, dividend will materialize after assessment of the company's financial position, organic growth opportunities, investments, acquisition opportunities and cash-flow.

*CAGR from 2019.

The share

Sensys Gatso's share is listed on Nasdaq Stockholm's Small Cap list. As at 30 December 2020, the share capital amounted to TSEK 46.088 (43.002) divided into 921,776,405 (860,024,407) shares.

The number of shareholders totaled 19,368 (19,001). All shares carry the same voting rights and entitle the holder to the same share of the company's earnings and capital. The company has one shareholder (Gatso Special Products BV) with number of shares that exceeds 10 percent of the company's total number of shares. The Articles of Association do not contain any conditions concerning voting right restrictions. There is no authorisation for repurchase of treasury shares.

The highest price paid for Sensys Gatso shares during the year was SEK 1.87 (24 August, 2020) and the lowest price paid was SEK 0.98 (23 March, 2020). The closing price paid on 30 Dec, 2020 was SEK 1.67 (1.36).

In 2020 a total of 1,179,445,917 (680,378,691) Sensys Gatso shares were traded on the Stockholm Stock Exchange. At the end of the year, the market capitalisation amounted to SEK 1.539 million (1.169).

The 20 largest shareholders

The shares in Sensys Gatso Group AB were held as of 30 December 2020 as follows:	Number of shares	Proportion of share capital/votes %
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)*	164,428,138	17.84
Försäkringsaktiebolaget, Avanza pension	45,301,759	4.91
Nordnet Pensionsförsäkring AB	25,827,630	2.80
Wall, Per Anders Curt	23,000,000	2.50
Bergstrand, Inger	20,659,837	2.24
Handelsbanken fonder	13,470,639	1.46
BNY MELLON SA/NV (FORMER BNY), W8IMY	10,599,225	1.15
SEB Investment Management	9,957,982	1.08
Swedbank Försäkring	8,905,849	0.97
Futur pension	7,876,650	0.85
Skandia, Försäkrings	6,856,515	0.74
Ståhlgren, Hans Edvin	5,530,000	0.60
Hamberg, Peter	5,300,000	0.57
Mellgren, Claes	5,192,357	0.56
Boyer, Pernilla Mari	5,112,509	0.55
Arding language Services Aktiebolag, Arding Lang	5,000,000	0.54
Kihlberg, Jan	4,306,665	0.47
Ulti AB	4,000,000	0.43
Redeye High Quality Specialplacering	3,709,400	0.40
Dahlin, Lars	3,550,000	0.39
Total, 20 largest shareholders	378,585,155	41.05
Total, other shareholders (19,348)	543,191,250	58.95
Total	921,776,405	100.00 %

*163,180,523 of these shares are held (via BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)) by Gatso Special Products BV.

Administration Report

The Board of Directors and Chief Executive Officer of Sensys Gatso Group AB (publ.), corporate registration number 556215-4459, hereby present the Annual Report & Accounts for the financial year ended 31 December 2020.

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 Group BV. For additional information see note 33.

Sales and earnings

Net sales for the full year was SEK 454.9 million (406.3). The gross margin was 35.6 percent (35.7). Profit/loss before tax amounted to SEK 2.5 million (-27.5). Profit/loss after tax was SEK 3.9 million (-15.1). 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 514.6 million (448.9), producing an equity/assets ratio of 67.3 percent (63.4). Cash and cash equivalents amounted to SEK 108.5 million (52.4) at the end of the year. Cash flow from operating activities during the year totalled SEK 15.5 million (-3.7).

Share data and key ratios

Earnings per share were SEK 0.01 (-0.02) and equity per share was SEK 0.56 (0.52).

Employees

The average number of employees was 230 persons (202). The number of employees at the end of the period was 252 (252), whereof a part being part-time employees. For additional information see note 2.

Environmental issues

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

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

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

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

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

For further information see the Sustainability report on page 16.

Research and Development

The Group prioritises Research and Development in order to maintain and strengthen the company's market position. Remaining at the forefront by offering innovative solutions is fundamental to what we do. Since its inception, Sensys Gatso Group has worked with universities and institutes of higher education, offering students the opportunity to write papers with the assistance of the company. During 2020 SEK 13.0 million (3.7) 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 2020 are listed under note 2.

These guidelines are also proposed for the coming year.

Risks

A description of potential risks and how these are managed is provided under note 25.

Sensys Gatso share information

There are no limitations on the right to assign shares of Sensys Gatso Group (first refusal), nor are there any limitations on how many votes each shareholder may cast at general shareholders' meetings. The company is not aware of any agreements between shareholders which

could entail a limitation on the right to assign shares. The single largest shareholder is BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) with 164,428,138 shares. 163,180,523 of these shares are held by Gatso Special Products BV, with 17.70% of total shares (18.95). For more information, see page 21, Sensys Gatso Group share information and ownership structure.

The annual general meeting in May 2020 authorized the Board, with or without deviation from the shareholders preferential, to do a new share issue of maximum ten (10) percent of the total number of shares in the company. Also, the annual general meeting authorized the board to repurchase a maximum of five per cent of the total number of issued shares.

Appointment and dismissal of Board members

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

Parent company

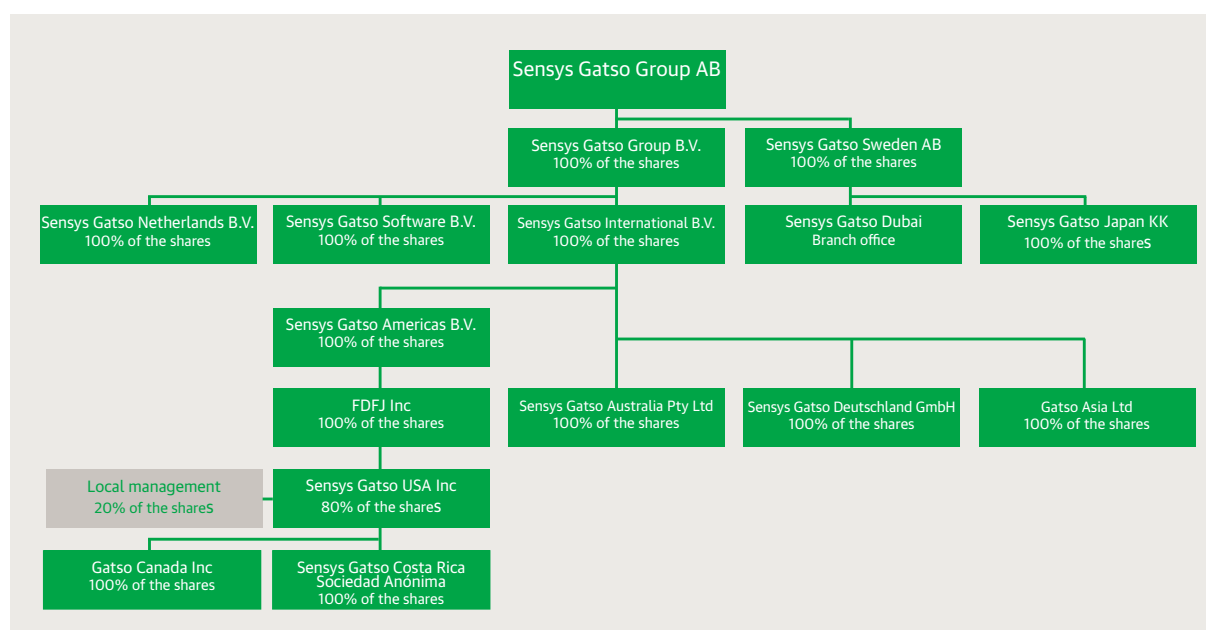
The business of the Parent company consists of owning and managing participations in subsidiaries, as well as managing some key tasks for the Group. Net sales for the period amounted to SEK 11.9 million (8.0) and profit before taxation amounted to SEK 8.4 million (5.2).

Proposed appropriation of profit or loss

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

Share premium reserve	475,512
Retained earnings	-11,998
Total TSEK	463,514

The Board of Directors proposes that no dividend will be paid for 2020 and the retained earnings be carried forward.







Financial performance

A five-year summary

INCOME STATEMENT	2020	2019	2018	2017	2016
Sales	454,933	406,325	380,349	293,094	436,607
Operating expenses	-444,112	-430,717	-379,760	-346,762	-459,848
Operating profit/loss	10,821	-24,392	589	-53,657	-23,241
Financial items	-8,346	-3,137	-1,685	-10,552	-6,724
Profit/loss before tax	2,475	-27,529	-1,096	-64,209	-29,965
Income tax	1,478	12,418	-1,376	3,470	5,581
Profit/loss for the year/Total profit/loss	3,953	-15,111	-2,472	-60,733	-24,384

BALANCE SHEET	2020	2019	2018	2017	2016
Noncurrent assets	416,237	456,830	404,160	403,596	449,635
Current assets	351,007	249,047	227,502	220,671	159,848
Total assets	767,244	705,877	631,662	624,267	609,483
Shareholders' equity	514,559	448,854	454,796	421,179	386,623
Noncurrent liabilities	65,509	76,901	67,949	87,111	116,025
Current liabilities	187,176	180,122	108,917	115,977	106,835
Total shareholders' equity and liabilities	767,244	705,877	631,662	624,267	609,483

DATA PER SHARE	2020	2019	2018	2017	2016
Earnings per share 31 Dec, SEK	0.01	-0.02	0	-0.07	-0.04
Shareholders' equity per share, SEK	0.56	0.52	0.53	0.50	0.59
Dividend per share, SEK	0	0	0	0	0
Share price 31 Dec, SEK	1.36	1.36	1.82	1.53	1.41
P/E ratio	Neg	Neg	Neg	Neg	Neg
Number of shares at end of period before full conversion, thousands	921,776	860,024	860,024	844,914	657,155
Number of shares at end of period after full conversion, thousands	921,776	860,024	860,024	844,914	657,155
Average number of shares during the period before full conversion, thousands	879,245	860,024	848,691	673,102	657,155



Simon Mulder, CFO, Sensys Gatso Group AB

KPI	2020	2019	2018	2017	2016
Order intake	788,353	561,940	480,284	348,918	199,858
Sales	454,933	406,325	380,349	293,094	436,607
Gross margin	35.6	35.7	42.5	39.6	33.6
Operating profit (EBITDA)*	59,438	28,567	37,562	-14,757	25,347
Operating margin (EBITDA)	13.1%	7.0%	9.9%	-5.0%	5.8%
Operating profit (EBIT)	10,821	-24,392	589	-54,764	-23,241
Operating margin (EBIT)	2.4%	Neg	0.2%	Neg	Neg
Profit for the period	3,954	-15,111	-2,472	-61,846	-24,384
Net margin	0.9%	Neg	Neg	Neg	Neg
Return on equity	0.8%	Neg	Neg	Neg	Neg
Equity/Assets ratio	67.30%	63.40%	71.80%	67.30%	63.40%
Interest-bearing liabilities*	118,301	129,375	58,891	82,353	99,174
Adjusted interest-bearing liabilities*	89,924	95,926	58,891	82,353	99,174
Net interest-bearing debt*	9,812	77,002	-17,716	23,422	67,531
Adjusted Net interest-bearing debt*	-18,565	43,553	-17,716	23,422	67,531
(Net) Working capital	163,831	68,925	117,478	99,527	53,013
Free available cash	147,729	84,927	153,179	121,283	85,500
Cash flow from operations	15,466	-3,740	49,307	-39,250	88,418
Number of employees	252	252	195	167	169
Average number of employees (FTE)	230	202	162	154	151

*Calculation samples

Interest bearing debt

TSEK	2020
Lease liabilities	28,377
Bank Loans and Credit facilities	51,640
Shareholder loans	38,284
Cash and bank	-108,489
Net Interest-bearing debt	9,812
-/- Lease liabilities	-28,377
Adjusted Net Interest-bearing debt	-18,565

Interest bearing liabilities

TSEK	2020
Lease liabilities	28,377
Bank Loans and Credit facilities	51,640
Shareholder loans	38,284
Interest-bearing liabilities	118,301
-/- Lease liabilities	-28,377
Adjusted interest-bearing liabilities	89,924

Operating profit (EBITDA)	2020
Operating profit	10,821
Depreciation	48,617
	59,438

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

Corporate Governance Report 2020

Sensys Gatso Group AB is a Swedish public limited liability company with its headquarters in Jönköping, listed on Nasdaq Stockholm, Small Cap. Sensys Gatso applies and follows the Swedish Code of Corporate Governance and hereby submits the 2020 Corporate Governance Report. The company's auditors have carried out statutory audits of the report.



Starting point

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

Corporate governance structure

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

Shares and shareholders

Information on Sensys Gatso's shares and shareholders can be found on page 21. The number of shareholders at year-end was 19,368 (19,001). The largest individual share-

holder is Gatso Special Products BV via BNP PARIBAS SEC SERVICES PARIS, W8IMY with a total of 17.70 percent (18.95), and the next largest shareholder is Försäkringsaktiebolaget Avanza Pension with 4.91 percent.

General Meeting

The Annual General Meeting (AGM) is Sensys Gatso's highest decision-making body. Shareholders included in the share register on the record date and who have given notice of their participation in time, are entitled to attend the AGM and to vote in person or via a proxy. At the AGM, shareholders exercise their voting rights to resolve on proposals from the Nomination Committee, the Board and the shareholders, as well as on key matters including the adoption of income statements and balance sheets, approval of the appropriation of the company's profit and discharge of the Board and CEO from their liabilities for the Nomination committee and election of the Board of Directors. The AGM also resolves on the composition of the Nomination Committee and its work, and makes decisions on principles for remuneration and other terms of employment for the CEO and other senior executives. In addition, auditors are elected, fees are determined and other statutory matters are addressed. Resolutions are normally approved by a simple majority at the AGM. In certain matters, however, the Companies Act stipulates that a proposal must be approved by a greater proportion of the votes represented at the AGM. In addition to the AGM, which is held within six months of the end of the financial year, an Extraordinary General Meeting may be announced if the Board considers this to be necessary or if this is requested by a shareholder holding at least 10 percent of the shares.

Annual General Meeting

The 2020 AGM was held on 9 May in Jönköping. A total of 16.4 percent (15.8) of the total number of shares and votes was represented. The CEO informed the AGM about the position of the company and commented on the results for 2019, and the first quarter of 2020. During the AGM, shareholders were given the opportunity to ask questions. Minutes from the AGM can be found on the Sensys Gatso website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting:

- » The 2019 annual accounts were adopted and the AGM resolved to carry forward the profit/loss for the year.
- » The Board of Directors was discharged from liability.
- » Claes Ödman, Jochem Garritsen, Pia Hofstedt, Kerstin Sjöstrand and Christina Hallin were re-elected. Nishant Batra was elected to serve on the Board of Directors.

- » Claes Ödman was re-elected to serve as Chairman of the Board.
- » It was resolved to authorise the Board to make decisions concerning issuance of shares on one or more occasions during the period until the next Annual General Meeting. The total number of shares that may be issued pursuant to this authorisation may not exceed 10 percent of the number of shares outstanding in the Company as per the date of the AGM.
- » The AGM resolved to adopt guidelines for senior executives and
- » Instructions for the Nomination Committee.

Nomination Committee

A Nomination Committee is formed each year at the initiative of the Chairman of the Board. According to the AGM, the Nomination Committee shall represent the four largest shareholders of the company. If a Nomination Committee comprising five members (including the chairman) is not obtained after having contacted the eight largest shareholders, the chairman shall continue to contact the shareholders that are next in turn until a Nomination Committee comprising four members (including the chairman) has been obtained. The work of the Nomination Committee takes place at the end of the financial year and the beginning of the new year. The Nomination Committee is to observe the guidelines that apply to independent Board members under the Swedish Corporate Governance Code when making nominations to the AGM. The Nomination Committee's proposals, with regard to the election and remuneration of Board members, are presented in the notice of the AGM as well as on the company's website. The members of the 2020 Nomination Committee were appointed based on the ownership structure as per 30 September 2019 and known changes thereafter.

The Nomination Committee has consisted of:

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

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

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

At the 2020 AGM, six members were elected, of whom three are women and three are men. As a basis for its proposal for the 2021 AGM, the Nomination Committee makes an assessment of whether the Board is appropriate based on an annual assessment of the Board's work and applying the Company Code. All shareholders are entitled to approach the Nomination Committee with proposals for the AGM. No such proposals were received before the AGM in 2020.

Role and composition of the Board

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

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

After the Annual General Meeting, the Board is the Company's highest decision-making body. The work of the Board is governed, among other things, by the Companies Act, the Articles of Association and the Board's Rules of Procedure. The Board establishes goals and strategic guidelines, is responsible for ensuring that the CEO executes Board decisions and has ultimate responsibility for the Company's internal control and risk management. According to the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of seven members. At the AGM, six ordinary Board members were elected. More information on the Board members can be found in the table on page 30. The Board of Sensys Gatso consists of:

- » Claes Ödman, Chairman of the Board (re-election)
- » Jochem Garritsen (re-election)
- » Kerstin Sjöstrand (re-election)
- » Pia Hofstedt (re-election)
- » Christina Hallin (re-election)
- » Nishant Batra (newly elected)

All members of Sensys Gatso's Board of Directors are independent in relation to both the company and the company's major shareholders. No member of the Board is employed by the Group. The Nomination Committee's

The Nomination Committee ahead of 2020 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes	Member of the Nomination Committees since
Per Wall	for own holdings	23,000,000	2017
Jan Johansson	Inger Bergstrand	20,659,837	2014
Timo Gatsonides	for own holdings	163,180,523	2015
Claes Ödman	Chairman of the Board	521,818	2016

assessment regarding whether each proposed member meets the independence requirements is announced in connection with the Committee's proposal. For further information see pages 30 and 34.

The work is based on the Board's Rules of Procedure and follows an annual plan. Each meeting is based on an agenda and relevant background documentation distributed to the members of the Board in advance of the meeting. In addition to the statutory Board meeting in conjunction with the Annual General Meeting, the Board normally meets nine times a year (ordinary meetings, including meetings in connection with the publication of interim and annual reports). Additional Board meetings are convened when necessary. In 2020 the Board held a total of 18 (13) meetings. Matters addressed by the statutory Board meeting included the Board's Rules of Procedure, decisions regarding authorisation of company signatories, instructions for the CEO and the Board's annual planning. To date, not having found this appropriate in view of the size of the company, the Board has not established an Audit Committee or Remuneration Committee. The entire Board of Directors serves as the audit committee and remuneration committee. Ordinary Board meetings include several fixed agenda items such as strategic focus areas and risk management. Extra time is allocated to four Board meetings annually during which special emphasis is placed on strategic issues and future business. Reporting includes developments within the operation, the organisation, analyses of risks, sustainability work, financial position and an annual update and review of the company's policies. The Board takes decisions on matters concerning the Group's strategic focus, finances, investments, acquisitions, sales and organisational issues, as well as rules and policies. All Board decisions are based on decision-making documentation and are made following discussions mediated by the Chairman of the Board. The Board monitors operations, partly through monthly reports provided by the CEO, and partly through their own work. Informal contact is also maintained among the members of the Board.

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

Committees

Work in the audit committee and remuneration committee is handled according to the Board's annual plan at ordinary Board meetings. The Board takes responsibility for, and makes decisions concerning the salaries and incentive programs of the CEO and the executive management based on policies determined by the AGM. The Board is responsible for the audit. The Board fulfils this duty by maintaining regular contact with the auditing firm and by examining their plan for the audit activities and remuneration for this work.

Evaluation of the work of the board

The work of the Board is evaluated annually through a structured process led by the Chairman of the Board. The 2020 evaluation was conducted by means of a questionnaire with the aim of obtaining an understanding of Board members' views on the formats of the work of the Board, the composition of the Board, of Directors, the performance of the Board and areas for improvement. The results of the evaluation have been presented and discussed by the Board. The conclusions from these evaluations and discussions have been reported orally to the Nomination Committee.

The Chairman of the Board leads the work of the Board and follows the activities in dialogue with the CEO. The Chairman of the Board represents the Company in matters concerning shareholder structure and matters of

Board work 2020

Q1	Q2	Q3	Q4
Update growth plan and financial goals	Strategy	Strategy	Strategy
Financial reporting quarter 4 and year-end report 2019	Global and agile organization	Establishment of new geographies	Budget 2021
Audit	Financial report Q1 2020	Financial report Q2 2020	Financial report Q3 2020
Remuneration	Approval annual report	Budget	Succession planning
Board evaluation	Audit	Raising capital to finance the growth plan	Remuneration
Contingency planning pandemic	Financing	Organizational development	ERP system
	Statutory board meeting after the Annual General Meeting	Policies and instructions	Risk reporting
	Focus areas for the board		Audit
	Annual plan audit		
	Policies and instructions		
	Contingency planning Pandemic		

Board of Directors, as per year end 2020

Board of Directors elected by the AGM	Attendance	Born	Elected	Fee	Number of shares/votes	Nationality	Function	Independent*
Claes Ödman	18/18	1965	2011	400,000	521,818	Swedish	Chairman of the Board	independent
Kerstin Sjöstrand	18/18	1958	2016	200,000	334,162	Swedish	Board member	independent
Pia Hofstedt	18/18	1961	2016	200,000	400,000	Swedish	Board member	independent
Christina Hallin	18/18	1960	2019	200,000	52,500	Swedish	Board member	independent
Jochem Garritsen	18/18	1972	2015	200,000	110,142	Dutch	Board member	independent
Nishant Batra	14/14	1978	2020	200,000	0	Swedish	Board member	independent

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

specific importance. The Chairman is responsible for ensuring that the work of the Board is well-organised and efficient, that the Board fulfils its commitments and that it receives satisfactory information and decision-making documentation.

Work in the audit committee and remuneration committee is handled according to the Board's annual plan at ordinary Board meetings. The Board takes responsibility for, and makes decisions concerning the salaries and incentive programs of the CEO and the executive management based on policies determined by the AGM. The Board is responsible for the audit. The Board fulfils this duty by maintaining regular contact with the auditing firm and by examining their plan for the audit activities and remuneration for this work.

Remuneration to the Board

The AGM resolved that Board fees should be paid in the amount of SEK 1,400,000 per year, of which SEK 400,000 will be paid to the Chairman of the Board and SEK 200,000 per month to the other Board members.

Fees payable to Board members are determined annually by the AGM. No separate fees are payable for work on committees. In 2020, remuneration was paid in accordance with note 2.

Ensuring the quality of financial reporting

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

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

Audit

The company's auditor, elected at the AGM, examines Sensys Gatso's annual report and consolidated accounts, the administration of the company by CEO and the Board of Directors, as well as the annual accounts of subsidiaries. The auditor also submits an audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted accounting principles in Sweden. The 2020 AGM appointed BDO Mälardalen AB as auditor with Johan Pharmansson as the auditor in charge. In February 2021, Johan Pharmansson from BDO Mälardalen AB personally presented his report to the Board regarding the auditing assignment and the Company's internal controls for 2020. BDO Mälardalen AB coordinated the audit

of the Group's subsidiaries and all activities with a significant scope of operations at the subsidiaries were audited by BDO in the respective countries. The 2020 AGM resolved that remuneration be paid to the auditor in accordance with approved invoicing. The audit fee for 2020 amounted to a total of MSEK 3.2 for the entire Group in accordance with Note 21.

CEO and Group Management

The CEO leads the operations in accordance with the instructions to the CEO as adopted by the Board. In consultation with the Chairman, the CEO compiles the necessary information and documentation which provides the basis for the Board's work. The CEO is responsible for ensuring that the Board receives relevant information and the decision-making documentation required for the Board to be able to make well-founded decisions. The CEO presents and justifies proposals for decisions. The CEO leads the work of the Group Management and renders decisions in consultation with other members of the management team. In 2020, Group Management consisted of the CEO, CFO, COO and CTO. Group Management holds regular meetings to follow up operations, discuss relevant matters and draft proposals for strategic plans and budgets, which the CEO presents to the Board for decisions. Group Management has strategy days with the Board twice a year.

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

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

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

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

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

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

Types of remuneration, etc.

Remuneration of the Group Management shall consist of a base salary, variable remuneration, pension and other benefits and remuneration. Together, these various parts

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

The CEO's employment contract includes termination conditions. The notice period is six months. If notice is made from the Company's side a severance pay in the form of another three months' salary is paid. The customary notice period of three to six months applies to all other members of the Group Management. The fixed salary shall remain unchanged during the notice period. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 9 months following termination of employment.

Salary and employment conditions for employees

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

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

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

Derogation from the guidelines

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

Governing documents and internal control

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

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

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

Code of Conduct

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

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

Our Code of Conduct states that we are to act as a reliable and honest partner, living up to our commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment. The Code clarifies our position on issues related to human rights, labour conditions, the environment, business ethics and communication. The Code applies to all Sensys Gatso employees, regardless of their position.

Equality and diversity policy

Differences between people include not only gender, ethnic origin, age, disability, religion and sexual orientation, but also experience, education, living situation and values. Taken together, such differences create a dynamic diversity that adds new perspectives and ideas. This collective diversity represents the competence within Sensys Gatso, which is a strategic asset in the Group's commercial and operational development. Sensys Gatso views equality and diversity as both self-evident and a strength, and therefore strive to achieve diversity in the composition of the workforce and in recruitment. The purpose of the equality policy is to prevent individuals from being chosen for certain groups purely/primarily due to their gender, or so that a group does not become single gendered. Candidates are appointed to positions based on the defined requirements profile. If candidates are equally qualified, Sensys Gatso shall ensure that the company's work groups are well balanced and that Sensys Gatso uses the time and skills of its employees in a manner that benefits both operations and individual personal development. When filling vacant positions, the company shall also strive to achieve the best possible age and ethnicity distribution.

In practice, this means that management takes responsibility and strives to ensure that the company's groups have a good balance of employees whose time and skills are used in a manner that benefits both operations and individual personal development. The aim is to strive for as even a distribution as possible of all work tasks in the workplace and to act to prevent gender division in different tasks and roles.

Risk assessment

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

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

Control activities

Sensys Gatso has established and documented a number of internal procedures that are both preventive in nature and aimed at avoiding losses or errors in the financial reporting. Control activities involve all levels in the organisation. To ensure completeness and accuracy in the financial reporting, instructions and guidelines are being put into place and communicated to the relevant personnel. Control activities also include follow-up and comparisons of earnings and order intake, account reconciliations and balances, as well as accounting and valuation principles.

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

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

Board of Directors



CLAES ÖDMAN **CHAIRMAN OF THE BOARD**

Born: 1965

Board member since 2011.

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

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

Shareholding: 521,818 shares.



JOCHEM GARRITSEN

Born: 1972

Board member since 2015.

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

Background: Senior Business Manager at Nokia. Has worked in the telecommunication industry in The Netherlands and abroad since 1999. Is a strong international leader and has held senior sales and business line head positions for professional services.

Other directorship: No

Shareholding: 110,142 shares.



CHRISTINA HALLIN

Born: 1960

Board member since 2019.

Education: MSc in Engineering Chalmers University of Technology.

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

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

Shareholding: 52,500 shares.



PIA HOFSTEDT

Born: 1961

Board member since 2016.

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

Background: Extensive background as CIO within different industries. Currently CIO Quant AB. Former CIO at Aleris, Scandic Hotels, Salus Ansvar, Neo Net AB, CEO Neo Net Technology.

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

Shareholding: 400,000 shares.



NISHANT BATRA

Born: 1978

Board member since 2020.

Education: Nishant Batra has an MBA from Insead in 2006 and Master's degrees in telecommunications and Computer Science from Southern Methodist University in Dallas.

Background: CTO Nokia. Former EVP and CTO of Veoneer Inc. Several senior positions at Ericsson in the US, Sweden and India.

Other directorship: No

Shareholding: 0 shares.



KERSTIN SJÖSTRAND

Born: 1958

Board member since 2016.

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

Background: Has worked 30 years at SEB within different roles such as CFO and chief of staff at division level and business manager for the Swedish card business.

Other directorship: No

Shareholding: 334.162 shares.

All board members are independent in relation to the company and its management, independent in relation to the company's major shareholders.

Senior executives



IVO MÖNNINK
CEO

Born: 1962

Employed since 2017.

Education: Master in Business Economics, Erasmus University Rotterdam.

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

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

Shareholding: 1,417,615 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.

Other directorship: No

Shareholding: 120,000 shares.



TIMO GATSONIDES

CTO, until 15 February 2021

Born: 1973

Employed since: 2015

Education: Computer Science.

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

Other directorship: No

Shareholding: 163,180,523 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.

Other directorship: No

Shareholding: 25,000 shares.



PÄR DEGERMAN

CTO, from 15 February 2021

Born: 1976

Employed since: 2021

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

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

Other directorship: No

Shareholding: 0 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	2020	2019
Net sales	1,3	454,933	406,325
Cost of goods sold		-293,066	-261,278
Gross profit		161,867	145,047
Selling costs		-72,177	-81,157
Administrative costs		-48,300	-41,067
Development costs		-34,080	-47,849
Other operating costs		3,511	634
Operating profit/loss	2,4,6,7,21	10,821	-24,392
Interest income/foreign exchange gains		1,405	2,572
Interest expense/foreign exchange loss		-9,751	-5,709
Net financial items	8	-8,346	-3,137
Profit/loss before tax		2,476	-27,529
Income tax for the year	5	1,478	12,418
Profit or loss for the year		3,954	-15,111
Profit attributable to owners of Sensys Gatso Group AB		5,051	-13,386
Profit attributable to non-controlling interest		-1,097	-1,725
		3,954	-15,111
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Translation differences		-19,697	8,867
Total other comprehensive income for the period, net after taxes		-19,697	8,867
Total comprehensive income for the year		-15,743	-6,244
Total comprehensive income attributable to owners of Sensys Gatso Group AB		-14,646	-4,519
Total comprehensive income attributable to non-controlling interest		-1,097	-1,725
Total comprehensive income for the year		-15,743	-6,244
Earnings per share before dilution		0.01	-0.02
Earnings per share after dilution		0.01	-0.02
Proposed dividend per share		-	-
Average number of outstanding shares before dilution, thousands		860,024	860,024
Average number of outstanding shares after dilution, thousands		879,245	860,024
Number of outstanding shares, thousands		921,776	860,024

Group

Balance Sheet

TSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
INTANGIBLE FIXED ASSETS			
Goodwill		242,145	257,164
Brand		9,857	12,738
Customer contracts and Customer relations		1,298	10,338
Product and software development		36,229	29,582
	9	289,529	309,822
TANGIBLE FIXED ASSETS			
Property, plant and equipment	10	59,291	68,628
Right of use assets	7	27,145	32,735
		86,436	101,363
FINANCIAL FIXED ASSETS			
Deferred tax assets	11	39,983	45,315
Other noncurrent assets		289	330
		40,272	45,645
TOTAL NON CURRENT ASSETS		416,237	456,830
INVENTORIES			
Work in progress		82,479	46,923
Finished products and goods for resale		44,839	39,626
	12	127,318	86,549
OTHER CURRENT ASSETS			
Trade receivables	13, 16	68,142	75,419
Current tax assets		2,673	4,218
Other receivables		1,251	2,557
Prepaid expenses and accrued income	14, 16	43,134	27,931
		115,200	110,125
CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	108,489	52,373
		108,489	52,373
TOTAL CURRENT ASSETS		351,007	249,047
TOTAL ASSETS		767,244	705,877

Group

Balance Sheet

TSEK	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY			
Share capital	17	46,089	43,002
Other contributed capital	17	500,727	422,594
Other reserves		16,394	36,089
Retained earnings incl net profit for the year		-46,636	-51,913
		516,574	449,772
Non-controlling interest		-2,015	-918
TOTAL SHAREHOLDERS' EQUITY		514,559	448,854
LIABILITIES			
NON CURRENT LIABILITIES			
Borrowings	15, 16, 17	8,783	
Liabilities to shareholders	15, 16, 18	28,246	39,387
Deferred tax liabilities	11	4,703	9,753
Other provisions	19	4,734	4,651
Lease liability	7, 16, 17	19,043	23,110
TOTAL NON CURRENT LIABILITIES		65,509	76,901
CURRENT LIABILITIES			
Borrowings	15, 16, 17	42,857	46,090
Liabilities to shareholders	15, 16, 18	10,038	10,449
Other provisions	19	6,878	7,442
Lease liability	7, 16, 17	9,334	10,339
Trade payables	16	62,417	47,237
Current tax liabilities		1,503	2,473
Other liabilities	16	3,476	2,443
Prepayments from customers		6,964	18,189
Accrued expenses and deferred income	20	43,709	35,460
TOTAL CURRENT LIABILITIES		187,176	180,122
TOTAL LIABILITIES		252,685	257,023
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		767,244	705,877

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 2019	43,002	422,594	27,294	-38,829	735	454,796
Net profit of the year				-13,386	-1,725	-15,111
Other comprehensive income			8,795		72	8,867
New share issue						0
Share issue costs				301		301
Shareholders' equity 1 Jan 2020	43,002	422,594	36,089	-51,914	-918	448,854
Net profit of the year				5,051	-1,097	3,954
Other comprehensive income			-19,696			-19,696
New share issue (net after tax effect)	3,087	81,388				84,475
New share issue costs		-4,035				-4,035
Tax effect on share issue costs		780				780
Stock related remunerations				227		227
Shareholders' equity 31 Dec 2020	46,089	500,727	16,393	-46,636	-2,015	514,559

	Before dilution	After dilution
Number of shares at beginning of year	860,024	860,024
Direct share issue / Conversion of Vendor Loan	-	61,752
Number of shares at end of year	860,024	921,776
Weighted average number of shares	860,024	879,245
Profit attributable to owners of Sensys Gatso Group AB	5,051	5,051
EARNINGS PER SHARE	0.01	0.01

Group

Cash Flow

TSEK	2020	2019
Operating profit/loss	10,821	-24,392
Adjustments for non-cash items		
Depreciation and amortisation	48,618	52,958
Movement in warranty provision	-6	3,125
Other non cash items	0	1,478
Adjustments for non-cash items	48,612	57,561
Interest paid	-3,466	-2,826
Exchange rate effects	-581	1,009
Income taxes paid	2,296	425
Cash flow from operating activities before changes in working capital	57,682	31,777
Cash flow from changes in working capital		
Trade receivables	8,035	-19,181
Inventories	-30,378	-25,075
Trade payables	14,462	19,959
Other changes in working capital	-34,334	-11,222
Cash flow from operating activities	15,467	-3,742
Investing activities		
Investments in intangible assets	-13,971	-3,653
Investment in tangible assets	-19,037	-41,351
Cash flow from investing activities	-33,008	-45,004
Financing activities		
New share issue	75,000	-
Costs for share issue	-4,035	-
Loan received	18,105	-
Repayments of loan	-1,309	-
Movements on credit facilities	-3,233	46,090
Repayments liabilities to shareholders	0	-10,199
Lease payments (IFRS 16)	-11,549	-11,689
Cash flow from financing activities	72,979	24,202
Cash flow for the year	55,438	-24,544
Cash and cash equivalents at beginning of the year	52,372	76,607
Translation on liquid funds	680	309
Cash and cash equivalents at end of the year	108,490	52,372



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Accounting and valuation principles

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

The Parent Company's annual report is prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR2 - Accounting for Legal Entities and the accounting policies adopted are consistent with those of the previous financial year as presented in the 2019 annual report.

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

CONSOLIDATED ACCOUNTS

Subsidiaries

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

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

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

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

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

Intercompany sales

Intercompany sales are eliminated in the consolidated accounts.

TRANSLATION OF FOREIGN CURRENCIES

Functional currency and presentation currency

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

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

Transactions and balance sheet items

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

Subsidiaries

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

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

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

REVENUE RECOGNITION

System Sales

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

Revenue is recognised based on the characteristics of a contract. System Sales is typically delivered at a point in time, when control passes to the customer. The group recognises revenue at a point in time, typically on delivery of the systems to customers' premises or at the point of shipping. However, in a minority of contracts, typically for more bespoke orders, the group also recognises revenue as an order progresses through the manufacturing process, depending on milestones in a contract and performance obligations identified. The sale of systems are also referred to as One-off project sales. Revenues for embedded software development are recognised at a point in time when software has been delivered to the customer.

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

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

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

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

Services (TRaaS)

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

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

TRaaS: Service & Maintenance

The Group's service organisation installs, commissions and maintains traffic enforcement systems and conducts

services and provides support to our customers. The services and maintenance revenues are sold in conjunction with delivery of systems in contract over a longer period of time or ad hoc as service needs arise at our customers. Revenues for service and maintenance contracts are recognised over a period of time depending on the length of the contracts. Ad hoc services are recognized on an ongoing basis as the services are carried out.

TRaaS: Managed Services

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

TRaaS: Licenses

Licence revenues relates to software licences fees. The performance obligation is to provide the software and maintain it over a period of time. The revenues are recorded over the contract period.

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 2020.

TRANSFER PRICING

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

Government Grants

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

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

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

EMPLOYEE BENEFITS

Pension commitments

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

Retirement contribution obligations

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

Share-based payments

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

Employee options

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

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

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

Severance pay

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

RESEARCH AND DEVELOPMENT

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

LEASES

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

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

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

- » fixed payments, less any lease incentives;
- » variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- » amounts expected to be payable under residual value guarantees;
- » the exercise price of a purchase option if reasonably certain to exercise that option, and
- » payments of penalties for terminating the lease, if the lease term reflects the exercise of that option.

Variable lease fees that do not depend on an index or rate (including property tax related to leased buildings) are

not included in the measurement of the lease liability. The related variable payments are charged to the consolidated income statement as incurred.

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

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

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

BORROWING COSTS

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

INCOME TAXES

Reported income tax includes tax which is to be paid or received for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax. The measurement of all income tax liabilities and assets is performed at nominal amounts, applying the tax rates and provisions that have been enacted, or substantially enacted, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. In the case of items recognized in profit or loss, related tax effects are also recognized in profit or loss. The tax effects of items that are recognized directly in shareholders' equity are also recognized directly in shareholders' equity. Deferred income tax is calculated using the balance-sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. These temporary differences have primarily arisen through consolidation adjustments. Deferred tax assets pertaining to future tax deductions are recognized to the extent that it is probable that such deductions can be netted against surpluses in future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are

not recognized in the consolidated accounts as the Parent Company can, in all cases, control the date for a reversal of the temporary differences and it is not assessed as probable that a reversal will take place within the foreseeable future. The reporting of deferred tax is based on effective tax rates.

CASH FLOW STATEMENT AND CASH EQUIVALENTS

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

Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. Cash and cash equivalents solely consist of cash and bank balances.

FINANCIAL GUARANTEES/FROZEN ASSETS

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

INTANGIBLE FIXED ASSETS

Goodwill

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

Customer contracts and Customer relations

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

Brands

This item mainly includes assets in the form of brands, which have arisen in conjunction with the acquisition

of subsidiaries. These are valued at the fair value on the acquisition date and, thereafter, less amortisation and impairment. Brands are amortised over a period of 10 years.

Product and software development

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

Impairment of non-financial assets

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

TANGIBLE FIXED ASSETS

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

DEPRECIATION AND AMORTISATION

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

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

INVENTORIES

Inventories are reported using the first-in, first-out method at the lower of cost and net realizable value on the closing date. The valuation of work in progress and finished

products includes design costs, direct labor costs and other direct costs with a reasonable mark-up for indirect costs (based on normal production capacity). This item excludes borrowing costs. Net realizable value is the estimated selling price in the ongoing course of business, less any applicable variable selling expenses.

FINANCIAL INSTRUMENTS

Financial assets at amortised cost

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

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

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

Financial liabilities at amortised cost

The Group's financial liabilities are measured at amortised cost and comprise of borrowings from credit institutions, liabilities to shareholders, trade payables and other short-term monetary liabilities in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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

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

SHAREHOLDERS' EQUITY

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

Earnings per share

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

Dividends

Dividends to Sensys Gatso Group's shareholders are recognized as liabilities in the Group's annual accounts in the period in which the dividends were adopted by the Parent Company's shareholders.

PROVISIONS

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

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

Goodwill

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

Deferred tax assets

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

Inventory

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

RISKS AND UNCERTAINTIES

Significant risks and uncertainties faced by the company include commercial risks associated with customers and suppliers, as well as other external factors. Sensys Gatso Group's overall goal is as far as possible to avoid taking financial risks that may arise through changes in foreign currency rates, interest levels and market prices, as well as liquidity, financing and credit risks. A description of material financial and commercial risks faced by the company is given in note 25.

PARENT COMPANY'S ACCOUNTING POLICIES

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

Shares in subsidiaries

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

APPLICATION OF NEW OR AMENDED STANDARDS

New standards, amendments and interpretations applicable from January 1, 2020

There are no new IFRS standards that have been endorsed for application from 2020 and forward.

New IFRS standards that have not yet begun to be applied

New and amended IFRS standards that take effect in future financial years have not been prospectively applied and are not expected to have any significant effect on the consolidat.





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

The segment System Sales consists of project related and repeat sales of solutions including service and maintenance and licence sales. The segment system sales has a good global spread with sales in Europe, Middle East and APAC. The business is generally highly volatile with a few large contracts and many smaller deals. Margins differentiate between size of a deal and the service delivered, with typically higher margins on repeat sales and service and maintenance and licences. Volatility in sales and the sales mix can have a significant impact on the segments profitability from one quarter to another.

In 2020, the Group had one customer in the segment System Sales whose share of the company's total net sales exceeded 10 percent.

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

Managed Service

The segment Managed Services focuses on Managed Services contracts where the company is responsible for the entire value chain; providing enforcement equipment (owned by the company), maintenance of the equipment, operating the enforcement program, evaluating and sending out citations and collecting payments on the behalf of our customers. The enforcement systems including the construction costs are recorded on the balance sheet under fixed assets in operations. This business segment has high capital expenditure upfront, with on average 3-5 year customer contracts, with considerable possibilities of extension after the initial contract period. Sales in this segments are predominantly from the Americas region. The Managed Services sales are dependent on the volume of citations, which can have some seasonality related to weather and holiday periods. Typically in the first year of operation of the contract the company incurs startup costs that are accounted for in the expenses as they occur. The segment Managed Services also include the costs related to software development and maintenance activities related to the segments sales.

	2020			2019		
	System Sales	Managed service	Total	System Sales	Managed service	Total
Total Net sales per business segment	340,505	124,158	464,663	344,882	96,581	441,463
Inter-segment transactions	-7,977	-1,753	-9,730	-33,421	-1,717	-35,138
Total Net Sales	332,528	122,405	454,933	311,461	94,864	406,325
EBITDA	39,284	20,154	59,438	21,184	7,383	28,567
Depreciation and amortization	-20,339	-28,278	-48,617	-19,838	-33,121	-52,959
Operating Profit	18,945	-8,124	10,821	1,346	-25,738	-24,392
Net financial items			-8,345			-3,137
Profit before tax			2,476			-27,529
Tax			1,478			12,418
Profit for the period			3,954			-15,111

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

	2020	2019
Sweden	34,560	24,511
USA	98,073	121,718
The Netherlands	212,522	229,492
Australia	27,386	31,257
Germany	3,424	4,208
Total	375,965	411,186

Note 2 Salaries, other remuneration and social insurance contributions

Number of employees at year-end	2020			2019		
	Women	Men	Total	Women	Men	Total
Holland	10	78	88	11	69	80
Sweden and branch offices	4	31	35	3	34	37
Australia	10	33	43	10	45	55
Germany	1	3	4	1	3	4
USA	48	32	80	35	39	74
Parent Company	0	2	2	0	2	2
Total	73	179	252	60	192	252

Board members and group management, Group	2020			2019		
	Women	Men	Total	Women	Men	Total
Board Members	3	3	6	3	2	5
Group Management	-	4	4	-	4	4
Total	3	7	10	3	6	9

Employees Full-time equivalent		2020	2019
Holland		83	73
Sweden and branch offices		32	33
Australia		48	44
Germany		4	4
USA		62	47
Parent Company		1	1
Total		230	202

	Salaries and other remunerations		Social securities		Pension contributions		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Parent Company	4,368	4,215	335	314	0	0	4,703	4,529
Subsidiaries	147,203	134,993	17,369	18,140	11,171	10,651	175,743	163,784
Group	151,571	139,200	17,704	18,454	11,171	10,651	180,446	168,313

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

Parent Company	Board Fee	
	2020	2019
Chairman of the Board, Claes Ödman	400	400
Board member, Katarina Staaf (until May 2019)	0	83
Board member, Kerstin Sjöstrand	200	200
Board member, Pia Hofstedt	200	200
Board member, Jochem Garritsen	200	200
Board member, Christina Hallin (from June 2019)	200	117
Board member, Ingemar Skogö (until May 2019)	0	67
Board member, Nishita Batra (from May 2020)	133	0
Total Remuneration Board of directors	1,333	1,267

Remuneration and other benefits for Group Management	Basic Salary		Variable Remuneration		Other benefits		Pension Expenses		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Managing Director and CEO, Ivo Mönnink	2,808	2,796	0	880	440	416	641	407	3,889	4,059
Other senior management (3 individuals)	5,207	4,852	0	398	174	175	292	206	5,672	5,432

VARIABLE REMUNERATION, PARENT COMPANY

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

Variable remuneration for the CEO

The agreement for the CEO applies since 2017. The variable remuneration is based on net sales and EBITDA, and is subject to an upper limit of 50% annual salary. Remuneration of TSEK 0 (440) has been paid out during 2020.

Share based payment CEO

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

The fair value of the share option at the end of the financial year 2020 amounted to SEK 906,796 (680,096) The fair value adjustment in 2020 of SEK 226,700 (302,266) has been recognised as employee benefits expense, with a corresponding increase in equity.

Variable remuneration for the CFO

The agreement for the CFO applies since 2018. The variable remuneration is based on net sales and EBITDA, and is subject to an upper limit of 40% annual base salary. Remuneration of TSEK 0 (199) has been paid out during 2020.

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 other group executives and management

The agreement for the senior executives and management team applies since 2017. The variable remuneration is based on regional performance and group performance. The remuneration is subject to an upper limit of 6 months salaries. Remuneration of TSEK 220 (1,478) has been paid out during 2020.

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

Note 3 Total sales

Net sales by region	2020	2019
Europe	153,032	188,196
America	119,044	103,107
Middle East and APAC	182,857	115,022
Total	454,933	406,325

Net sales by country	2020
Sweden	45,682
Netherlands	52,907
Rest of Europe	54,443
Total Europe	153,032

USA	118,819
Rest of Americas	225
Total Americas	119,044

Saudi Arabia	38,634
Australia	114,160
Rest of Middle East and APAC	30,063
Total Middle East and APAC	182,857

Nature of sales	2020	2019
One-off	237,743	229,150
TRaaS Recurring	217,190	177,175
Total	454,933	406,325

Nature of services	Nature of sales	Segment	2020	2019
System sales	One-off	System sales	237,743	229,150
Service and maintenance	TRaaS Recurring	System sales	91,162	79,021
Licences	TRaaS Recurring	System sales	3,623	3,468
Managed services	TRaaS Recurring	Managed services	122,405	94,686
Total			454,933	406,325

Revenue recognition	Nature of services	2020	2019
At a point in time	System sales	237,743	229,150
Overtime	Service and maintenance	91,162	79,021
	Licences	3,623	3,468
	Managed services	122,405	94,686
Total		454,933	406,325

TRaaS (TRaaS enforcement as a Service) is recurring sales within segment System Sales and Managed Services. Management tracks on the performance of TRaaS related sales and reports on the development of TRaaS sales in the quarterly reports to the stock market. Revenue is recognised based on the characteristics of a contract. System Sales is typically delivered at a point in time, when control passes to the customer.

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

	Contract Assets		Contract liabilities	
	2020	2019	2020	2019
At 1 January	18,243	10,878	-20,116	-32,604
Transfers in the period from contract assets to trade receivables	-18,243	-10,878	-	-
Amounts included in contract liabilities that was recognised as revenue during the period	-	-	11,225	13,678
Accrued income	29,288	18,243	-	-
Deferred income	-	-	-3,714	-1,190
Cash received in advance of performance and not recognised as revenue during the period	-	-	-	0
At 31 December	29,288	18,243	-12,605	-20,116

Contract assets consist of accrued income and contract liabilities out of prepayments from customers and deferred income. Contract assets are written off where there is no reasonable expectation of recovery. No write offs have been taken in 2020 (0)

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

Note 4 Expenses by nature of expense

	2020	2019
Cost for products and goods	179,624	154,627
Depreciation and amortisation	48,617	52,960
Employee benefits and expenses	180,446	168,313
Other employee expenses	8,177	8,984
Housing expenses	6,168	6,431
Office expenses	9,348	8,296
Sales expenses	3,094	8,494
Car expenses	2,188	1,961
Development expenses	809	6,122
General expenses	18,867	17,290
Financial items	4,375	-70
Total	461,713	433,408
COVID-19 relief	-4,569	0
Capitalized Employee expenses as intangible fixed asset	-13,032	-2,690
Total expenses	444,112	430,718

During the year the company received the COVID-19 relief from the Dutch government to the amount of SEK 4.5 million, which has been recorded as a benefit in the total expenses. The COVID-19 relief received from the US government (Payment Protection Program) to the amount of 4.5 million is recorded on the balance sheet as this is, from a legal perspective, a loan until forgiveness is granted.

Sensys Gatso has the policy to capitalize development expenses when the development has expected future positive cash flows. Research costs are taken into the profit and loss directly when they occur, customization development expenses for customers are accounted for in the cost of goods sold, matched to sales. Employee expenses related to the development of our software platform amounted to SEK 13.0 million (2.7) which have been capitalised as Product and Software development on the balance sheet.

Note 5 Taxes

Corporate income tax	2020	2019
Current tax	-324	4,332
Deferred tax	1,802	8,087
Total	1,478	12,419
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	2,476	-27,529
Tax at applicable rate	-619	6,882
-in %	25.00%	25.00%
Permanent differences and tax previous years	295	-2,551
Movement of deferred taxes	1,802	6,539
Revaluation of DTA due to changes in tax rates	0	1,548
Tax on profit/loss for the year in accordance with income statement	1,478	12,419
Effective tax in %	59.70%	45.11%

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

Note 6 Depreciation/amortisation

Amortisation of intangible assets was SEK 18.0 (26.3) million and depreciation of property, plant and equipment totalled SEK 20.4 (16.6) million. The depreciation of the right of use assets amounted to SEK 10.2 (10.1) million. During 2020 no impairment was taken (0). Depreciation, amortisation and impairment are specified per function in the income statement as follows:

	Cost of goods sold		Selling costs		Administrative costs		Development costs		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Customer contracts	0	0	9,143	14,917	0	0	0	0	9,143	14,917
Brand	0	0	2,268	2,307	0	0	0	0	2,268	2,307
Other intangible assets	0	0	0	0	0	0	6,636	9,050	6,636	9,050
Improvement expenses leasehold	305	211	155	110	64	143	149	120	672	584
Furniture, Fixtures, Fittings and vehicles	1,971	1,768	890	858	301	303	401	400	3,564	3,329
Fixed Assets in operation	16,159	12,690	0	0	0	0	0	0	16,159	12,690
Right of use assets	5,192	3,370	2,631	1,838	1,149	3,939	1,200	935	10,172	10,082
Total Depreciation and Amortisation	23,627	18,039	15,086	20,030	1,513	4,385	8,387	10,505	48,614	52,959

Note 7 Leasing

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 in 2019 of this new accounting standard. This means that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information. The group leases premises, vehicles and copiers. The latter two are defined as "others".

Right of use assets	Premises		Others		Total	
	2020	2019	2020	2019	2020	2019
Opening value	27,629	0	5,105	0	32,735	0
Initial recording		34,725		6,478		41,203
Additions	3,554	184	1,420	901	4,974	1,085
Depreciation	-7,933	-7,793	-2,240	-2,711	-10,174	-10,505
Modification of lease terms	269	0	-100	296	169	296
Translation effects	-292	513	-267	142	-559	655
Closing value	23,227	27,629	3,918	5,105	27,145	32,735

Lease liability	Premises		Others		Total	
	2020	2019	2020	2019	2020	2019
Opening value	28,267	0	5,182	0	33,449	0
Initial recording	0	34,725	0	6,478	0	41,203
Additions	3,554	184	1,420	901	4,974	1,085
Interest expense	1,157	1,382	209	221	1,366	1,603
Modification of lease terms	355	0	-104	295	251	295
Lease payments	-9,045	-8,509	-2,019	-2,857	-11,063	-11,366
Translation effects	-330	485	-271	144	-600	629
Closing value	23,959	28,267	4,418	5,182	28,377	33,449

Note 8 Profit/loss from financial activities

Interest and similar profit/loss items	2020	2019
Interest income on bank deposits	0	0
Exchange rate gains on bank deposits or other loans	1,405	2,572
Other financial income	0	0
Total financial income	1,405	2,572
Interest expense on financial liabilities	2020	2019
Interest expense on loans	3,625	2,826
Exchange rate losses on bank deposits or other loans	4,760	1,277
Other financial expenses	0	0
Interest lease liability	1,366	1,606
Total financial costs	9,751	5,709
Profit/Loss from financial investments	-8,346	-3,137

Note 9 Intangible fixed assets

Consolidated Intangible fixed assets	Goodwill		Customer contracts/ Customer relations		Brand		Product & software development		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Opening accumulated acquisition value	257,164	251,257	97,715	93,937	22,814	22,295	79,528	74,691	457,221	442,180
Internal development							13,971	3,653	13,971	3,653
Translation effects	-15,019	5,907	-9,964	3,778	-1,272	519	-2,509	1,184	-28,764	11,388
Closing accumulated acquisition value	242,145	257,164	87,751	97,715	21,542	22,814	90,990	79,528	442,428	457,221
Opening accumulated amortisation	0	0	-87,362	-70,711	-10,076	-7,624	-50,032	-40,319	-147,470	-118,654
Amortisation for the period	0	0	-9,143	-14,917	-2,269	-2,307	-6,636	-9,050	-18,048	-26,274
Translation effect	0	0	10,066	-1,734	660	-145	1,820	-663	12,547	-2,542
Closing accumulated amortisation	0	0	-86,439	-87,362	-11,685	-10,076	-54,848	-50,032	-152,971	-147,470
Opening accumulated impairment	0	0	0	0	0	0	0	0	0	0
Closing accumulated impairment	0	0	0	0	0	0	0	0	0	0
Translation effects	0	0	-15	-15	0	0	87	87	72	72
Carrying amount	242,145	257,164	1,297	10,338	9,857	12,738	36,229	29,583	289,529	309,823

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. Due to the COVID-19 pandemic, Sensys Gatso has tested the goodwill for impairment during the second quarter and in the fourth quarter of 2020. When assessing our business it is important to note that we have long sales cycles and long standing relationships with our customers.

For the purpose of assessing impairment, goodwill is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group performed a test for each cash generating unit (CGU), to assess whether any need for impairment exists for goodwill in line with the applied accounting policies. The Group reports in two business segments, System Sales and Managed Service. These segments represent the cash generating units. The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future cash-flows expected to arise from the CGU, including capital expenditures and investment in working capital, to arrive at free cash flow forecasts for each unit. The model includes the latest forecast for 2020 at the time of testing in December 2020 as a reference and uses the five year business plan for each unit, approved by the board of directors, as a starting point. The budgets and forecasts were built-up from the entities in collaboration between entity General Managers and Group Management. The future cash flows per CGU are calculated based on the the five year the business plans of the entities belonging to that CGU. Cash flows beyond the five-year period are extrapolated based on the long-term growth, estimated at 2%, in line with the inflation rate. The discount rate after tax which has been applied to calculate the present value of the future cash flows is approximately 9.4% (9.4) for both System Sales and Managed Services. The input used to calculate the discount rate for the two segments varies slightly. However, due to different tax percentages used in different countries, the net effect results in a similar discount rate for both segments.

The company analyses past forecasts to actual outcomes. Timing of revenue is typically the main factor of deviation. The timing of revenue can have an impact from quarter to quarter and from year to year. However, over the forecasted period of five years this has a lower impact on the forecasted numbers. The company forecasts revenues based on opportunities and order backlog with a high level of confidence, based on a bottom-up analysis from the individual entities. This applies to both System Sales and Managed Services. For 2020 the company has made this analysis and has concluded that there has been no impact on the five year businessplan that forms the basis of the impairment test.

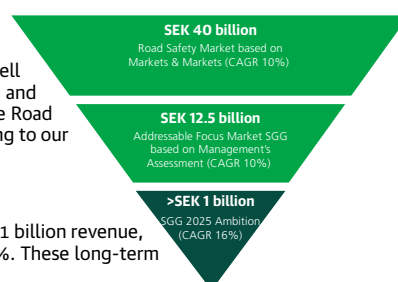
SIGNIFICANT ASSUMPTIONS

Market share and growth

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

Sensys Gatso Group

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



System Sales

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

Managed Services

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

Exchange rates

The results of the Sensys Gatso Group are influenced by exchange rate fluctuations. As set out in note 25 of this report, the largest exposure to changes in currency is with EUR/SEK and USD/SEK exchange rate. The exchange rates used for these main currencies in the forecast are EUR 10.40 and USD 9.5.

Sensitivity analysis

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

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

Group	2020	2019
System Sales	164,190	170,923
Managed Services	77,954	86,241
Total	242,145	257,164

The movement in goodwill valuation in both segments relates to currency effects. No impairments were taken in 2020 (0).

PRODUCT & SOFTWARE DEVELOPMENT

In 2019 Sensys Gatso has started to develop the new enforcement platform called FLUX. This enforcement platform (over time) will replace the existing platforms (S and T-Series). Investments in development are pre-approved by the board of directors in the annual budget process and accountability is given on an annual basis. The remaining bookvalue of Product & Software development is as follows:

Development item	Bookvalue MSEK
Flux platform	20.0
T/S series platform	13.2
Other	3.0
Total	36.2

Note 10 Property, plant and equipment

Tangible fixed assets	Leasehold improvement		Furnitures, fixtures, etc		Fixed Assets in operation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Opening accumulated acquisition value	19,871	19,139	32,616	32,472	171,675	136,205	224,161	187,816
Acquisitions	131	1,031	3,422	6,363	15,484	34,043	19,037	41,436
Disposals	0	0	0	-72	-4,266	-3,130	-4,266	-3,202
Movements between categories	0	-512	0	832	0	-320	0	0
Translation effects	-743	213	-1,683	-6,979	-22,228	4,877	-24,654	-1,889
Closing accumulated acquisition value	19,259	19,871	34,355	32,616	160,664	171,675	214,278	224,161
Opening accumulated depreciation	-16,686	-15,769	-23,278	-25,212	-111,786	-99,252	-151,751	-140,233
Disposals	-101	0	270	0	-1,027	2,280	-858	2,280
Depreciation for the period	-673	-584	-3,563	-3,077	-15,487	-12,942	-19,723	-16,603
Movements between categories	0	0	0	-128	0	128	0	0
Translation effects	750	-333	1,079	5,139	18,819	-2,000	20,648	2,806
Closing accumulated depreciation	-16,710	-16,686	-25,492	-23,278	-109,482	-111,786	-151,683	-151,751
Opening accumulated impairment	0	0	0	-1,843	-3,778	-3,613	-3,778	-5,456
Translation effects	0	0	0	0	480	-165	480	-165
Disposals				1,843			0	1,843
Closing accumulated impairment	0	0	0	0	-3,298	-3,778	-3,298	-3,778
Translation effects	-6	-6					-6	-6
Carrying amount	2,543	3,179	8,863	9,338	47,885	56,110	59,291	68,626

Note 11 Deferred taxes

Deferred tax recoverable	2020	2019
Opening deferred tax recoverable	45,315	37,417
Utilization of deferred tax	-3,039	-4,636
Additions	0	10,458
Effect of change in tax rate	0	1,548
Translation effects	-2,294	528
Closing deferred tax assets	39,982	45,315

The deferred tax assets can be specified as follows:	2020	2019
Other	489	509
Inventory	2,590	2,903
Loss carried forward	36,904	41,903
Total deferred tax assets	39,982	45,315

Deferred tax liabilities	2020	2019
Opening deferred tax liability	9,753	16,824
Release relating to depreciation on intangible fixed assets	-4,841	-6,417
Translation effects	-209	-654
Closing deferred tax liabilities	4,703	9,753

Deferred taxes

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

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

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

As per December 2020, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of TSEK 154,6 (161,4). Approximately SEK 86.0 (90.5) million has been accounted for in the deferred tax asset to the amount of SEK 17.7 (18.6) million. The deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at a tax rate of 20.6 percent. Based on continued future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to continue contributing to the future profits by entries into new markets and a broader product range that can be offered to existing customer relations. Management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

In Sensys Gatso Sweden AB there is a deferred tax asset recorded in relation to inventory that has not been taken as a tax loss. The total amount of utilizable deferred tax amounts to SEK 12.6 million (13.6).

In the US Sensys Gatso has recognised deferred tax assets for operating losses which can be utilised with future profits. The total unutilised tax losses amount to SEK 52.3 million (62.0), corresponding to USD 6.4 million (6.6). Based on the current estimated tax profits the company expects to utilise the total tax losses before expiration. The tax losses are recognised in a deferred tax asset to the amount of SEK 12.9 (15.5) million.

Furthermore a deferred tax assets of SEK 8.0 million (8.3) is recognised relating to Sensys Gatso Australia Pty Ltd for temporary differences and losses carried forward to the amount of SEK 26.7 million (27.8). Based on Management's assessment we see future profits to offset the losses carried forward.

Note 12 Inventories

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

	2020	2019
Opening acquisition value	110,863	96,177
Movement in inventory	43,655	13,450
Translation effects	-3,929	1,236
Closing acquisition value	150,590	110,863
Change in provision for obsolete inventory	2020	2019
Opening provision	-24,312	-24,313
Movement	2,090	196
Translation effects	384	-195
Closing provision	-21,838	-24,312
Carrying amount	127,318	86,551

Note 13 Trade receivables

Trade receivables	Trade receivables	Trade receivables past due and impaired	Total before impairments	Impairments for doubtful trade receivables	Total
	2020	2020	2020	2020	2020
Trade receivables not yet due	23,497	0	23,497	0	23,497
< 3 months	38,089	0	38,089	0	38,089
3-12 months	3,973	0	3,973	0	3,973
>12 months	2,583	7,428	10,011	-7,428	2,583
	68,142	7,428	75,570	-7,428	68,142
	2019	2019	2019	2019	Total
Trade receivables not yet due	39,545	0	39,545	0	39,545
< 3 months	24,680	0	24,680	0	24,680
3-12 months	2,372	0	2,372	0	2,372
>12 months	8,823	9,206	18,029	-9,206	8,823
	75,419	9,206	84,625	-9,206	75,419

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

Change in provision for doubtful trade receivables	2020	2019
Opening provision for impairments	9,206	26,950
Confirmed losses	0	-18,708
Reversed, Unutilized provisions for impairments	-1,047	-85
Addition in the year	10	1,167
Translation effects	-741	-118
Closing provision	7,428	9,206

Note 14 Prepaid expenses and accrued income

Prepaid expenses and accrued income	2020	2019
Deposits (property and other)	2,339	2,210
Accrued income	29,288	18,243
Other items	11,507	7,478
Total	43,134	27,931

Note 15 Bank overdraft facilities and other borrowing

The Group's interest-bearing borrowings	2020	2019
Due dates for long-term loans:		
Within one year	52,895	56,539
Between one and five years	37,029	39,387
Total	89,924	95,926
Short-term borrowings (shareholder), EUR	10,038	10,449
Short-term borrowings (banks), USD	-	37,523
Short-term borrowings (banks), EUR	42,857	8,567
Total	52,895	56,539
Long-term borrowings (banks), EUR	8,783	-
Long-term borrowings (shareholder), EUR	28,246	39,387
Total	37,029	39,387

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

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

Note 16 Financial instruments

Financial assets at amortised costs	2020	2019
<i>Assets as per balance sheet</i>		
Trade receivables	68,142	75,419
Accrued income	29,288	18,243
Cash and bank balances	108,489	52,373
Total	205,919	146,035

Other financial liabilities at amortised costs	2020	2019
<i>Liabilities as per balance sheet:</i>		
Borrowings	42,857	46,090
Liabilities to shareholders	38,284	49,836
Lease liability	28,377	33,449
Trade payables	62,417	47,237
Other liabilities	13,128	12,284
Total	185,063	188,896

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

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

Note 17 Financial activities

	Non-cash movements:					2020
	2019	Cashflow	IFRS 16 leasing	Liabilities to shareholders	Foreign exchange and present value change	
Long term borrowing	62,497	8,783	-4,067	-10,038	-1,103	56,072
Short-term borrowing	66,878	-3,233	-1,005		-411	62,229
Share and other contributed capital	465,596	70,965		10,255		546,816
Closing liabilities to shareholders	594,971	76,515	-5,072	217	-1,514	665,117

Note 18 Transactions with shareholders

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

Shareholders

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

In 2015 the company has acquired Gatso Beheer BV. The former owners of Gatso Beheer BV (Gatso Special Products BV) have provided the company with a vendor loan to the amount of MEUR 6.84. The remaining part of the vendor loan at the end of 2020 amounts to TSEK 18,209.

Key management personnel

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

Liabilities to shareholders	2020	2019
Non-current subordinated loan	20,075	20,898
Non-current liabilities vendor loan	8,171	18,489
Current liabilities vendor loan	10,038	10,449
Closing liabilities to shareholders	38,284	49,836
Non-current liabilities to shareholders	2020	2019
Opening liabilities	39,387	48,692
To current liabilities to shareholders	-10,038	-10,449
Currency adjustments	-1,103	1,144
Non-current liabilities	28,246	39,387
Current liabilities to shareholders	2020	2019
Opening liabilities	10,449	10,199
Off-set vendor loan in New share issue	-10,449	0
Repayment	0	-10,199
Current part of promissory note	10,038	10,449
Current liabilities	10,038	10,449

Vendor loan

As part of the new share issue in 2017 a part of the vendor loan installment of 31 July 2018 was converted into shares. In 2018 the remaining part of the first installment was converted into 15,110,738 shares. In 2019 Sensys Gatso has repaid the vendor loan installment due, to the amount of EUR 1 million. In 2020 EUR 1 million was converted into shares. The remaining part of the vendor loan amounts to TSEK 18,209.

The table below shows the remaining installments for the next three years according to the vendor loan agreement.

Vendor loan (nominal value) installments (KEUR)	2019	Off-set in new share issue 2020	Balance 2020
31/07/2020	1,000	-1,000	0
31/07/2021	1,000		1,000
31/07/2022	840		840
Total	2,840	-1,000	1,840

Related party transactions	Shareholders	Directors
Rental costs premises	1,700	-
Interest costs loans	1,258	-
Management fee	-	4,078
Conversion vendor loan	10,449	-
Related party positions	Shareholders	Directors
Loans	38,284	-
Management fee	-	799

Note 19 Provisions

Other provisions	2020	2019
Provision for product warranty	3,901	3,991
Other provisions	833	660
Non current provision	4,734	4,651
Provision for product warranty	5,292	5,381
Other provisions	1,586	2,061
Current provision	6,878	7,442
Total other provisions	11,611	12,093

Provision for product warranty	2020	2019
Opening product warranty 0-360 days	5,381	4,474
Opening product warranty provision > 360 days	3,991	2,114
Opening product warranty provision	9,372	6,588
Buildup and release of product warranty provision during the year	1,713	7,016
Used product product warranty during the year	-1,663	-4,406
Movements during the year	50	2,610
Translation effects	-230	173
Closing product warranty provision 0-360 days	5,292	5,381
Closing product warranty provision > 360 days	3,901	3,991
Closing product warranty provision	9,192	9,372

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 919 (938) in 2020.

Note 20 Accrued expenses and deferred income

Accrued expenses and accrued income	2020	2019
Accrued salaries	10,750	7,010
Holiday pay liability	13,561	11,380
Social charges	2,554	2,658
Deferred income	3,714	1,927
Other	13,128	12,484
Total	43,709	35,460

Note 21 Audit fees and reimbursement of related costs

	2020	2019
<i>BDO</i>		
Audit assignment	2,219	1,966
Audit advisory	0	20
Tax consulting	458	1,128
Other assignments	536	371
Total	3,213	3,485

Note 22 Pledged assets and contingent liabilities

Pledged assets	2020	2019
Guarantees, customer authorities	17,556	19,523
<i>Pledged assets</i>		
Tangible fixed assets	59,291	68,628
Inventory	127,318	86,549
Receivables	68,142	75,419
Total pledged contingent liabilities	272,307	250,119

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

Credit and loan facility

The company has access to a credit facility to the amount of EUR 8.18 million that can also be used for customer guarantees. Additionally the company has access to a loan credit facility to the amount of EUR 5.0 million of which EUR 1.25 million has been taken up at the end of 2020. The remainder of the loan credit facility is dependent on meeting bank covenants.

Pledges and securities

Pledge on present and future receivables arising from trade and business, stock and inventory including machinery and transport vehicles of Sensys Gatso Group BV, FDFJ BV, Gatso Australia Pty Ltd, Sensys Gatso Managed Services BV, Gatso USA Inc., Gatsometer BV and Gatsometer Europa BV. Pledge on claims arising from credit insurances of Sensys Gatso Group BV, FDFJ BV, Gatso Australia Pty Ltd, Sensys Gatso Managed Services BV, Gatso USA Inc., Gatsometer BV and Gatsometer Europa BV. The company Sensys Gatso Group BV is jointly liable for the credit and guarantee facilities provided by Rabobank together with her subsidiaries Sensys Gatso Netherlands BV and Sensys Gatso Managed Services BV. The company has a Debt Service Coverage Ratio and a Solvency ratio agreement with the bank which have to be met each financial year under the agreement of the bank facilities. Subordination of loan Gatso Special Products BV in Sensys Gatso Group BV with a minimum of € 2.0 million to Rabobank.

Pledges Skandinaviska Enskilda Banken AB

Sensys Gatso Group AB has access to a credit facility amounting to SEK 15 million. Sensys Gatso Group AB has an absolute EBITDA agreement with Skandinaviska Enskilda Banken AB which have to be met each quarter under the agreement of the bank facilities. Sensys Gatso did not fulfil the financial ratio as required in the contract for the credit facility to the amount of SEK 15 Million. The bank has provided Sensys Gatso with a waiver with regards to the covenants. By receiving this waiver Sensys Gatso has fulfilled its obligations towards the bank.

Note 23 Events after the balance sheet date

Significant events after the end of the reporting period;

- » 19 Jan - Sensys Gatso Group appoints Pär Degerman as new CTO
- » 21 Jan - Sensys Gatso has received a procurement award for red-light and speed enforcement in Belgium worth SEK 60 million
- » 26 Feb - Sensys Gatso receives an order from Fareco Group worth SEK 6.8 million
- » 20 Mar - Sensys Gatso Australia receives order for traffic safety systems and services worth SEK 16 million

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

Note 24 COVID-19

Measures taken to reduce negative effects

The moment the virus outbreak was declared a pandemic by the WHO, we acted swiftly by protecting our employees and the continuity of our operations. We created Business Continuity Plans for all our entities and asked nearly 80% of our employees to work from home.

Our objective is to keep our employees healthy and to protect those employees that absolutely need to be in the office or in the field to continue the product and service deliveries to our customers. Because the development team has adopted the Agile & Scrum way of working, that was implemented globally in 2018, they were able to continue their work remotely.

Consequently, the execution of development projects and customer contracts continued without disruption.

In the US operations could continue throughout the year, as we obtained security clearance from the legal authorities for our operators and customer service staff to work from home. As a result our ability to send-out citations in the USA was not impacted by the pandemic.

Business impact

With the implementation of the Business Continuity Plans, our business continued almost as usual.

Our investments in customer relations, in our internal organisation and in our agile way of working paid off in times of global distress.

For a global company the travel restrictions in most countries caused by the pandemic were challenging. Our long sales cycles and our long standing relationships with our customers, we were able to continue our sales efforts. This resulted in a record high order intake for the company in 2020. The revenue in 2020 is driven by execution on order backlog from our System Sales and TRaaS contracts, enabling Sensys Gatso to continue on the path of growth in 2020.

Our TRaaS Managed Services in the USA are dependent on traffic volumes. The impact of COVID-19 restrictions in the USA vary from state to state as the states in the USA have different approaches to reducing the impact of the pandemic. Due to a good regional spread of our speed and redlight programs in the USA we did not see a material impact on the volumes of citations for these programs. The school zone speed programs, however, have been impacted due to the school closings in 2020 with approximately MSEK 30 lower revenue.

Costs and investments

In 2020 Sensys Gatso received COVID-19 relief from governments to protect employment. In 2020 Sensys Gatso received relief from the Dutch and US Government for a total amount of SEK 9 million. This consist of relief from the Dutch government to the amount of SEK 4.5 million, which has been recorded as a benefit in the total expenses. The COVID-19 relief received from the US government (Payment Protection Program) amounted 4.5 million and is recorded on the balance sheet as this is, from a legal perspective, a loan until forgiveness is granted. The support enabled Sensys Gatso to retain employees and to continue executing the projects, programs and investments in our hardware and software platforms FLUX, Xilium and PULS.

Long term ambition

The main COVID-19 impact for Sensys Gatso has been in lower volumes in school zone programs in the USA. In 2021 some schools have already reopened. With the completion of the vaccination program during 2021, we expect that schools will fully reopen. Therefore we retain our long-term plan to grow our net sales from 454 million in 2020 to more than 1 billion, of which TRaaS revenues is more than 600 million, in 2025. We also retain our ambition to increase the profitability from 13 percent EBITDA margin in 2020 to more than 15 percent in 2025.

Note 25 Risks

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

FINANCIAL RISKS

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

CURRENCY RISK

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

Transaction exposure

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

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net 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 2020, expressed in thousands of Swedish krona (TSEK) consisted of the following:

Translation exposure 2020	SEK	EUR	USD	AUD	Total
<i>Assets as per balance sheet:</i>					
Trade receivables	31,301	11,296	13,654	11,892	68,142
Accrued income	0	13,057	0	16,232	29,288
Cash and bank balances	104,918	-2,970	3,993	2,548	108,489
Total	136,219	21,382	17,647	30,671	205,919
<i>Liabilities as per balance sheet:</i>					
Borrowings	-	51,640	-	-	51,640
Liabilities to shareholders		38,284	-	-	38,284
Trade payables	5,159	39,341	9,897	8,020	62,417
Liabilities to customers	6,964	0	-	-	6,964
Other liabilities	6,319	3,937	1,643	1,230	13,128
Total	18,443	133,201	11,540	9,250	172,433

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

The company enters into forward contracts to mitigate the currency risk on future expected cash receipt of customer contracts. These contracts are accounted for as a cash flow hedge in the financial numbers. The company also recognizes a risk on timing of payment and uses currency swap contracts to temporarily prolong the effect of a forward contract if needed. These currency SWAPs will be bought/sold on the settlement date of the forward contract(s). The Company has entered into swap contracts to buy the following currencies; USD 2.6 million (EUR/USD).

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

INTEREST RISKS

The company holds no interest-bearing assets and, accordingly, the Group's income and cash flow from operating activities are, in all material aspects, independent of changes in market interest rates. The Group's interest-rate risk arises in conjunction with long-term borrowing. The aim is to limit the interest risk in the Group's interest-bearing liabilities. At the closing date, the Group had MSEK 89.9 (95.6) in interest-bearing liabilities and cash and cash equivalents amounted to MSEK 108.5 (52.4). 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 2020, the Group's borrowings largely consisted of credit facilities provided by banks with three months fixed interest rates (EURIBOR and LIBOR). The group's liabilities to shareholders are burdened with three months (EURIBOR) and fixed annual rates on subordinated loans. The interest rates and conditions are consistent with 2020. 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. In 2020 the installment of the vendor loan of EUR 1 million, is converted into shares (EUR 1 million, paid). At the end of 2020 the company has used MSEK 51.6 (46.1) 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 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank loans	42,857	2,509	6,274	-
Trade payables	62,417	-	-	-
Loan to related parties	10,038	8,432	19,814	-
Lease liability	9,334	5,316	13,727	0
Total	124,646	16,257	39,815	0

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

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 7,4 (9.2) was made for receivables that are not expected to be paid.

CAPITAL RISK

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The debt/equity ratio at 31 December 2020 was 67.3% (63.4%).

OPERATIONAL RISKS

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

Each 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	2020	2019
Net sales	26,27	11,941	7,981
Cost of goods sold		0	0
Gross profit		11,941	7,981
Administrative costs		-17,205	-13,665
Other operating costs			-24
Operating profit/loss	28,37	-5,264	-5,708
Profit/loss from financial investments	29		
Interest income/foreign exchange gains		5,516	3,083
Interest expense/foreign exchange losses		-3,672	-2,622
Profit/loss after financial items		-3,420	-5,247
Appropriations	40	11,785	10,422
Profit/loss before tax		8,365	5,175
Income tax for the year	30	-1,707	-1,121
PROFIT OR LOSS FOR THE YEAR		6,659	4,054

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
INTANGIBLE FIXED ASSETS			
Product and software development		19,933	6,896
	31	19,933	6,896
FINANCIAL FIXED ASSETS			
Deferred tax assets	30	17,714	18,640
Investments in Subsidiaries	33	413,952	413,952
Loan Subsidiaries	32	49,333	29,333
		480,999	461,925
TOTAL NON CURRENT ASSETS			
		500,932	468,821
OTHER CURRENT ASSETS			
Receivables from subsidiaries		15,204	15,785
Other receivables		314	595
Prepaid expenses and accrued income		1,197	934
		16,715	17,313
CASH AND CASH EQUIVALENTS			
Cash and bank balances		62,755	12,866
		62,755	12,866
TOTAL CURRENT ASSETS			
		79,470	30,179
TOTAL ASSETS			
		580,402	499,000

Parent Company

Balance Sheet

TSEK	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY	34		
<i>Restricted equity</i>			
Share capital		46,089	43,002
Statutory reserve		25,215	25,215
Legal reserve		19,933	6,896
		91,237	75,113
<i>Non-restricted equity</i>			
Share premium reserve		475,512	397,379
Retained earnings including net profit for the year		-11,998	-7,346
		463,514	390,033
TOTAL SHAREHOLDERS' EQUITY		554,751	465,146
LIABILITIES			
NON CURRENT LIABILITIES			
Liabilities to shareholders	35	8,171	18,489
TOTAL NON CURRENT LIABILITIES		8,171	18,489
CURRENT LIABILITIES			
Liabilities to shareholders	35	10,038	10,449
Trade payables		1,431	1,412
Liabilities to subsidiaries		2,510	1,331
Other liabilities		171	55
Accrued expenses and deferred income	36	3,329	2,117
		17,479	15,364
TOTAL LIABILITIES		25,650	33,853
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		580,402	499,000

Parent Company

Cash Flow

TSEK	2020	2019
Operating profit/loss	-5,264	-5,708
Adjustments for non-cash items		
Depreciation and amortisation	-	-
Movement in warranty provision	-	-
Other non cash items	-281	-793
Adjustments for non-cash items	-281	-793
Interest received	2,140	1,720
Interest paid	-	311
Exchange rate effects	320	1,736
Income taxes paid	-	-
Cash flow from operating activities before changes in working capital	-3,085	-2,734
Cash flow from changes in working capital		
Trade receivables	-	-371
Inventories	-	-
Trade payables	218	787
Other changes in working capital	3,570	-1,275
Cash flow from operating activities	703	-3,593
Investing activities		
Investments in subsidiaries	-20,664	-667
Investments in intangible assets	-13,037	-3,072
Received parent company contribution	11,922	9,008
Cash flow from investing activities	-21,779	5,269
Financing activities		
New share issue	75,000	
Costs for share issue	-4,035	
Repayments of Leases and Bank loans	-	
Repayments on credit facilities	-	
Movement in liabilities to shareholders		-10,199
Cash flow from financing activities	70,965	-10,199
Cash flow for the year	49,889	-8,523
Cash and cash equivalents at beginning of the year	12,866	21,389
Cash and cash equivalents at end of the year	62,755	12,866

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 2019	43,002	25,215	397,379	3,824	-8,630	460,790
Net profit of the year					4,054	4,054
Addition to legal reserve				3,072	-3,072	0
New share issue						0
Stock related remunerations					302	302
Shareholders' equity 1 Jan 2020	43,002	25,215	397,379	6,896	-7,346	465,146
Net profit of the year					6,659	6,659
Addition to legal reserve				13,037	-13,037	0
New share issue	3,087		81,388			84,475
New share issue costs			-4,035			-4,035
Tax on new share issue costs			780			780
Other movements					1,500	1,500
Stock related remunerations					227	227
Shareholders' equity 31 Dec 2020	46,089	25,215	475,512	19,933	-11,998	554,752

Parent Company

Notes on the accounts,

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

Note 26 Total sales

Net sales by region	2020	2019
Europe	11,941	7,981
America	-	-
Middle East and APAC	-	-
Total	11,941	7,981

Note 27 Purchase and sales between group companies

Of the parent company's total income from operations, MSEK 11.9 (8.0) refers to remunerations of services performed.

Note 28 Expenses by nature

	2020	2019
Employee benefits and expenses, including board fees	8,567	6,158
Office expenses	2,036	1,692
Sales expenses	541	1,018
Development expenses	320	263
General expenses	5,669	4,519
Financial items	72	39
Total	17,205	13,689

Note 29 Profit/loss from financial activities

Interest and similar profit/loss items	2020	2019
Interest income on bank deposits	0	0
Exchange rate gains on bank deposits or other loans	3,706	1,362
Interest income Group companies	1,810	1,720
Total financial income	5,516	3,083
Interest expense on financial liabilities	2020	2019
Interest expense on loans	0	0
Exchange rate losses on bank deposits or other loans	3,672	2,622
Other financial expenses	0	0
Total financial costs	3,672	2,622
Profit/Loss from financial investments	1,844	461

Note 30 Tax on result for the year

Corporate income tax	2020	2019
Current tax	-	-
Deferred tax	-1,707	-1,121
Total	-1,707	-1,121
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Recognised profit/loss before tax	8,365	5,175
Tax at applicable rate (20.4%)	-1,707	-1,121
Tax on profit/loss for the year in accordance with income statement	-1,707	-1,121
Deferred tax assets		
	2020	2019
Opening deferred tax assets	18,640	19,761
Revaluation of DTA due to changes in tax rates	-	-
Addition tax losses	-	-
Utilisation of losses	-926	-1,121
Closing deferred tax assets	17,714	18,640

Deferred taxes

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

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

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

As per December 2020, the Parent company Sensys Gatso Group AB had a total estimated unutilised tax losses of TSEK 154.6 (161.4). Approximately SEK 86.0 (90.5) million has been accounted for in the deferred tax asset to the amount of SEK 17.7 (18.6) million. The deferred Tax Asset relating to losses carried forward in Sweden have been revaluated at a tax rate of 20.6 percent. Based on continued future expected profits in Sensys Gatso Group AB arising from group recharges, intercompany financing activities, future royalties for products and brands the company is expected to be profitable in future. Furthermore, management expects Sensys Gatso Sweden AB to continue contributing to the future profits by entries into new markets and a broader product range that can be offered to existing customer relations. Management has made the assessment that the tax losses accounted for in the deferred tax asset will be utilised in the future.

Note 31 Intangible Fixed Assets

Intangible Fixed Assets	Product & software development	
	2020	2019
Opening accumulated acquisition value	6,896	3,824
Internal development	13,037	3,072
Closing accumulated acquisition value	19,933	6,896
Amortisation	0	0
Carrying amount	19,933	6,896

Note 32 Loan Subsidiaries

Loan subsidiaries	2020	2019
Opening loan subsidiaries	29,333	30,000
Repayment	-	-667
Additions	20,000	0
Closing loan subsidiaries	49,333	29,333

The parent company has provided subsidiaries with loans up to SEK 49.3. This loan consists of two parts. The first part has an outstanding amount of 29.33 MSEK with an ultimate maturity date of December 31, 2022. The second part has an outstanding amount of 20 MSEK with an ultimate maturity date of November 30, 2025. Both parts bear an interest of 6% per annum.

Note 33 Shares and participation in subsidiaries

	2020	2019
Opening acquisition value	413,952	413,952
Movements in the year	-	-
Closing accumulated acquisition value and Carrying amount	413,952	413,952

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

Subsidiaries	Ownership	Corporate Identity Number	Registered offices	No. of share	Carrying amount	
					2020	2019
Sensys Gatso Sweden AB	100%	556811-3376	Jönköping	500	30,000	30,000
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	Carrying amount	
					2020	2019
Sensys Gatso Netherlands	100%	34065996	Haarlem, NL	500		
Sensys Gatso Software B.V.	100%	34077170	Haarlem, NL	400		
Sensys Gatso International B.V.	100%	34064750	Haarlem, NL	400		
Sensys Gatso Australia Ltd.	100%	ABN20086 166494	Sydney, AUS	1,000		
Sensys Gatso Deutschland GmbH	100%	HRB 67669	Hilden, DE	25,000		
Sensys Gatso Americas 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		
Sensys Gatso Costa Rica Sociedad Anónima	100%	3-101-786819	San José, Costa Rica	600		

Note 34 Shareholders' equity

Share capital

The share capital of Sensys Gatso Group AB amounts to SEK 46,088,820.25 (43,001,220.40), divided into 921,776,405 (860,024,407) shares. The quota value, previously the nominal value, is SEK 0.05 per share. All shares have an equal right to a portion of the company's assets and profits. Each share entitles the holder to one vote. At shareholders' meetings, each person entitled to vote may vote for the full number of shares owned and represented by him/her without any restriction in the number of votes. The share capital and number of shares has developed as follows since 1 January 1995:

Year	Transaction	Increase in number of shares	Increase in share capital (SEK)	Total share capital (SEK)	Number of shares	Nominal value of shares (SEK)
1995	Opening values	-	-	50,000	500	100
1997	Bonus issue	500	50,000	100,000	1,000	100
1998	Split 1000:1	999,000	-	100,000	1,000,000	0.10
1998	Bonus issue	4,000,000	400,000	500,000	5,000,000	0.10
1998	New share issue	1,025,000	102,500	602,500	6,025,000	0.10
1999	New share issue	4,065,999	406,600	1,009,100	10,090,999	0.10
2000	Bonus issue	-	1,009,100	2,018,200	10,090,999	0.20
2000	Split 4:1	30,272,997	-	2,018,200	40,363,996	0.05
2000	Exchange of convertibles	5,888,218	294,411	2,312,611	46,252,214	0.05
2000	New share issue	10,068,556	503,428	2,816,039	56,320,770	0.05
2001	Exchange of convertibles	101,776	5,089	2,821,128	56,422,546	0.05
2002	New share issue	79,787,095	3,989,355	6,810,483	136,209,641	0.05
2003	New share issue	34,781,829	1,739,091	8,549,574	170,991,470	0.05
2004	Redemption of warrants	360,000	18,000	8,567,574	171,351,470	0.05
2004	New share issue	3,171,909	158,595	8,726,169	174,523,379	0.05
2004	New share issue	35,783,672	1,789,184	10,515,353	210,307,051	0.05
2005	Redemption of warrants	3,620,000	181,000	10,696,353	213,927,051	0.05
2006	Redemption of warrants	2,000,000	100,000	10,796,353	215,927,051	0.05
2010	New share issue	71,975,683	3,598,784	14,395,137	287,902,734	0.05
2012	New share issue	191,935,152	9,596,757	23,991,894	479,837,886	0.05
2013	Redemption of warrants	30,909,453	1,545,473	25,537,367	510,747,339	0.05
2013	Redemption of warrants	30,486,975	1,524,349	27,061,716	541,234,314	0.05
2015	Issue for non-cash consideration	115,920,763	5,796,038	32,857,754	657,155,077	0.05
2017	New share issue	187,758,592	9,387,929.65	42,245,683.50	844,913,669	0.05
2018	Conversion of vendor loan	15,110,738	755,536.90	43,001,220.40	860,024,407	0.05
2020	Directed Share Issue	53,571,475	2,678,573.75	45,679,794.15	913,595,882	0.05
2020	Conversion of vendor loan	8,180,523	409,026.15	46,088,820.30	921,776,405	0.05

Note 35 Transactions with shareholders

Liabilities to shareholders	2020	2019
Non-current liabilities vendor loan	8,171	18,489
Current liabilities vendor loan	10,038	10,449
Closing liabilities to shareholders	18,209	28,938
Non-current liabilities to shareholders	2020	2019
Opening liabilities	18,489	28,141
To current liabilities to shareholders	-10,038	-10,449
Currency/net present value adjustments	-280	797
Non-current liabilities	8,171	18,489
Current liabilities to shareholders	2020	2019
Opening liabilities	10,449	10,199
Off-set vendor loan in New share issue	-10,449	-
Repayment		-10,199
Current part of promissory note	10,038	10,449
Currency effects	-	-
Current liabilities	10,038	10,449

Note 36 Accrued expenses and accrued income

Accrued expenses and deferred income	2020	2019
Accrued salaries	1,622	0
Social charges	21	0
Accrued Audit and advisory expenses	1,190	1,811
Other	496	306
Total	3,329	2,117

Note 37 Fees to auditors

Fees to auditors	2020	2019
Audit assignment	1,531	908
Other assignments	119	62
Total	1,650	970

Note 38 Pledged assets

Pledged assets	2020	2019
General guarantee	15,000	15,000
Total pledged assets	15,000	15,000

Note 39 Parent Company

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

Sensys Gatso Group AB is the Parent Company of the Sensys Gatso Group, one of the world's leading traffic safety suppliers. The Group develops, manufactures and markets traffic safety systems that are preliminary used for monitoring red-light and speed control. At year end, Sensys Gatso Group AB had 19,368 shareholders. Together, the ten largest shareholders hold 34.9 percent (34.7) of the shares outstanding.

Note 40 Appropriations

Appropriations	2020	2019
Group contributions received	11,785	10,422
TSEK	11,785	10,422

Note 41 Proposed appropriation of profit or loss

The following profits are at the disposal of the Annual General Meeting:	2020
Share premium reserve	475,512
Retained earnings	-11,998
TSEK	463,514

The Board of Directors proposes that no dividend will be paid for 2020 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 11 May 2021.

Jönköping, April 6, 2021

Claes Ödman
Chairman of the Board

Jochem Garritsen
Board Member

Pia Hofstedt
Board Member

Kerstin Sjöstrand
Board Member

Christina Hallin
Board Member

Nishant Batra
Board Member

Ivo Mönnink
Chief Executive Officer

Our audit report was submitted on April 6, 2021
BDO Mälardalen AB

Johan Pharmanson
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sensys Gatso Group AB (publ) for the financial year 2020 except for the corporate governance statement on pages 28-33. The annual accounts and consolidated accounts of the company are included on pages 22-74 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2020 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 2020 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 28-33. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

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

Key Audit Matters

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

Impairment test of goodwill

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

On pages 54 and 55 in Note 9 - Intangible Fixed Assets, Sensys Gatso

Group describes its valuation of reported goodwill. As these assets are not amortized on an ongoing basis, an annual impairment test is, instead, to be executed. Sensys Gatso Group has undertaken this test during the final quarter of 2020. Due to Covid-19 there was also an impairment test performed in the second quarter of 2020.

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 recoverable attributable to unutilised tax losses

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

How our audit addressed the Key audit matter

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

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

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

Other Information than the annual accounts and consolidated accounts

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

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sensys Gatso Group AB (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 28-33 has been prepared in accordance with the Annual Accounts Act.

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

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

BDO Mälardalen AB was appointed auditor of Sensys Gatso Group AB by the general meeting of the shareholders on 12 May 2020 and has been the company's auditor since 2018.

Stockholm 6 April 2021

BDO Mälardalen AB

Johan Pharmanson

Authorized Public Accountant

Information to the shareholders

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

- » Q1 2021, 27 April
- » Q2 2021, 18 August
- » Q3 2021, 24 November
- » Q4 2021, 23 February 2022

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 11 May 2021. Due to the extraordinary situation as a result of Covid-19 and in order to ensure the safety and health of shareholders and employees, the Company's Board of Directors has resolved that the Meeting will be carried out through advance voting (postal voting) in accordance with the Act (2020:198) on temporary exceptions to facilitate the execution of general meeting in companies and other associations. No meeting with the possibility to attend in person or to be represented by a proxy will take place, i.e. the Meeting will be held without physical presence.

Pre-conditions for participation

Shareholders wishing to participate in the Meeting shall be recorded as a shareholder in the share register kept by Euroclear Sweden AB as of Monday, 3 May 2021 and notify by casting its advance vote in accordance with the instructions under the heading Advance voting so that the advance voting form is received by the Company no later than Monday 10 May 2021.

A shareholder whose shares are nominee-registered must temporarily register the shares in his or her own name with Euroclear Sweden AB in order to be able to participate at the meeting. Such registration must be completed by Wednesday, 5 May 2021. This means that the shareholder must notify the administrator of his or her wish in this respect in good time ahead of this date.

Advance voting

The shareholders may only exercise their voting rights at the Meeting by voting in advance, so-called postal voting in accordance with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations.

A special form shall be used for advance voting. The form is available on the Company's website, www.sensysgatso.com. The advance voting form is considered as the notification of participation.

For questions about the advance voting or to have the advance voting form or any power-of-attorney sent by post, please contact the Company on phone number +46 36 34 29 80. The completed voting form must be received by the Company no later than on Monday 10 May 2021. The form shall in due time be submitted via mail to the Company at Sensys Gatso Group AB, Box 2174, 550 02 Jönköping or via e-mail to info@sensysgatso.com. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote (i.e. the advance vote in its entirety) is invalid.

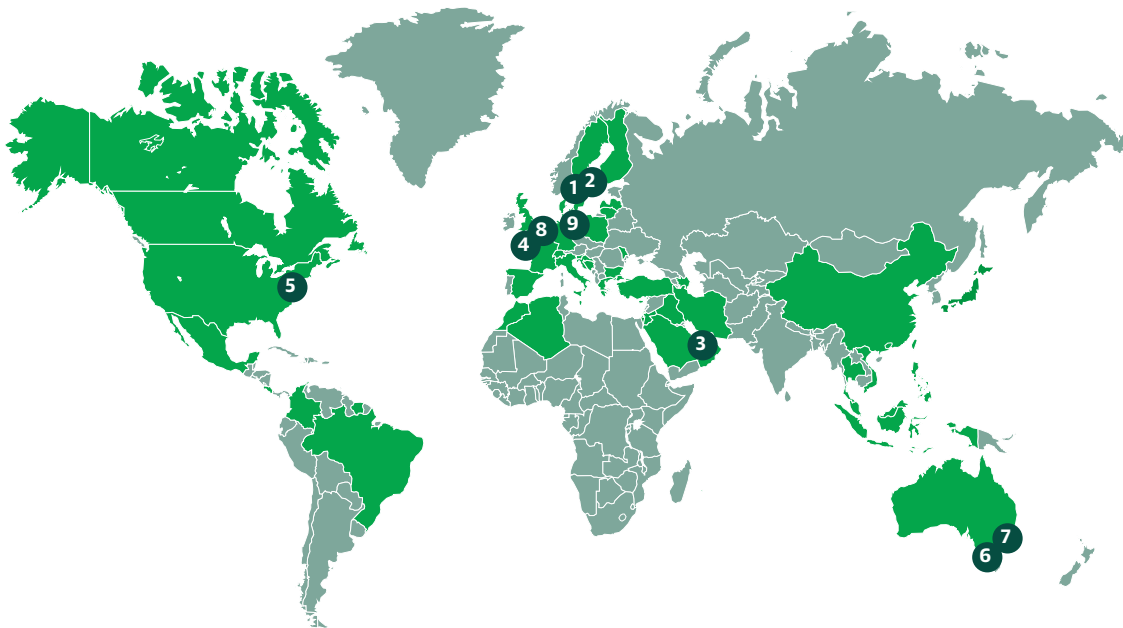
Contact for financial information

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



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

Addresses



1 Sensys Gatso Group AB

Vasavägen 3c, SE-554 54 Jönköping
Box 2174, SE-550 02 Jönköping, Sweden
T +46 36 34 29 80
E-mail info@sensysgatso.com
Registered No 556215-4459
VAT NO SE556215445901

2 Sensys Gatso Sweden AB

Vasavägen 3c, SE-554 54 Jönköping
Box 2174, SE-550 02 Jönköping, Sweden
T +46 36 34 29 80
E-mail info@sensysgatso.com
Registered No 556811-3376
VAT NO SE556811337601

3 Sensys Gatso Group AB Middle East

P.O. Box 371127, Dubai
Dubai Airport Freezone, Building 5EA,
Office G03, United Arab Emirates
T +971 50 4549 300
E-mail dubai@sensysgatso.com

4 Sensys Gatso Netherlands BV

Claes Tillyweg 2
2031 CW Haarlem
PO BOX 4959
2003 EZ Haarlem, The Netherlands
T +31 23 5255050
E-mail info@sensysgatso.com

5 Sensys Gatso USA, Inc.

900 Cummings Center
Suite 316U
Beverly, MA 01915, USA
T +1 978 922 7294
E-mail us_sales@sensysgatso.com

6 Sensys Gatso Australia Pty Ltd

Melbourne Office
Unit 8 11-12 Phillip Court
Port Melbourne, VIC 3207, Australia
T +61 3 9647 6470
E-mail au_sales@sensysgatso.com

7 Sydney Office

Unit 7A, 256 New Line Road
Dural, NSW 2158, Australia
T +61 2 8091 6470
E-mail au_sales@sensysgatso.com

8 Sensys Gatso Software BV

Joan Muyskenweg 22
1096 CJ Amsterdam
PO BOX 4959
2003 EZ Haarlem, The Netherlands
T +31 23 5255050
E-mail info@sensysgatso.com

9 Sensys Gatso Deutschland GmbH

Hofstr. 64
40723 Hilden, Germany
T +49 2103 9689 760
E-mail info@sensysgatso.com

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 and has a total of 252 employees. The Sensys Gatso Group's shares are listed at NASDAQ Stockholm and has a total of 252 employees.

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