

Sensys Gatso Group AB

Half year Report

January - June 2017



April – June 2017

- Net sales MSEK 68.2 (100.0)
- Order intake MSEK 64.6 (61.4)
- Operating profit MSEK -14.6 (-2.9)
- EBITDA MSEK -4.7 (6.5)
- The profit after tax MSEK -15.9 (-0.9)
- Comprehensive income MSEK -20.3 (1.8)
- Earnings per share, before and after dilution, SEK -0.02 (0.00)
- Cash flow from operating activities amounted to MSEK -13.2 (12.0)

January – June 2017

- Net sales MSEK 138.9 (264.2)
- Order intake MSEK 133.2 (88.5)
- Operating profit MSEK -31.9 (-17.3)
- EBITDA MSEK -12.3 (9.8)
- The profit after tax MSEK -32.3 (-20.9)
- Comprehensive income MSEK -36.7 (-17.2)
- Earnings per share, before and after dilution, SEK -0.05 (-0.03)
- Cash flow from operating activities amounted to MSEK -21.8 (14.6)

COMMENTS FROM THE CHAIRMAN OF THE BOARD

In connection with today's interim report, the Board proposes a rights issue in order to strengthen the company's financial structure and facilitate growth based on Sensys Gatso's competitive platform and unique position. In addition, earlier this week, we announced the appointment of the next CEO, Ivo Mönnink, who will be leading the group into its next phase. I encourage all our shareholders to carefully read the separate press releases on both these initiatives.

I would also like to take the opportunity to thank Torbjörn Sandberg for his excellent efforts as CEO of Sensys Gatso. Under his leadership, Sensys Gatso has successfully finalized the integration of Sensys Traffic and Gatso Beheer as well as completed the development of the core of our platform from which we will build our future growth.

COMMENTS FROM THE CEO

In the second quarter the sales in our two business segments amounted to SEK 68.2 million (100.0) with SEK 51.9 million (85.9) for System Sales and SEK 19.1 million (15.3) for Managed Services. The gross margin amounted to 46.8% (36.5) which is a significant increase as a result of the mix in sales between System sales and Managed Services. The EBITDA for the second quarter amounted SEK -4.7 million (6.5) and operating profit came in at SEK -14.6 million (-2.9).

Order intake during the second quarter amounted SEK 64,6 million compared to SEK 61.4 million in the corresponding period last year. Looking at the first half year the order intake amounted to SEK 133,2 million (88.5), which is a significant improvement compared to the first half last year.

The payment capability among the customers in the Middle East has decreased, which has impacted our sales negatively. However, it is again important to highlight that we have not lost any significant deals and that our competition is facing the same challenges. Despite these challenges, we still remain optimistic about our future.

The available cash at the end of the second quarter has decreased to SEK 64.5 million compared to SEK 78.3 million at the end of the first quarter 2017. The decrease in available cash is due to negative operating cash flow and a decrease in available credit facility. The cash flow from operating activities totalled SEK -13.2 million during the second quarter (12.0) in 2017. The negative operating cash flow is caused by a negative operating profit and an increase in inventories during the second quarter. The credit facility has decreased with SEK 10 million during the quarter.

After the acquisition of Gatso, Sensys Gatso Group has shown a strong performance in operating cash flow up until 2016. This cash flow has been used primarily to finance the transformation program expenses and to repay bank loans relating to the acquisition and short term shareholder loans. The group has made full redemption on the acquisition loan after the reporting period in July 2017.

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Bokmärket är inte definierat.

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Looking at the short-term outlook, it is hard to assess when the volatile and uncertain market situation will ease. However, we will continue to focus on our strategy and will be ready to manage any business opportunities when they arise. The demand for our systems and services has large potential to increase over time supported by the global trends in favour of sustainability and traffic safety.

Torbjörn Sandberg
CEO, Sensys Gatso Group

FINANCIAL SUMMARY

Key indicators (unadjusted)

SEK thousands	April - June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Net sales	68,189	100,041	138,934	264,184	436,607
Order intake	64,603	61,411	133,173	88,466	199,858
Operating profit	-14,579	-2,869	-31,867	-17,253	-23,241
Operating margin (%)	Neg	Neg	Neg	Neg	Neg
Gross margin (%)	46.8	36.5	40.9	30.0	33.6
Profit for the period	-15,901	-945	-32,262	-20,855	-24,384
Earnings per share (SEK)	-0.02	0.00	-0.05	-0.03	-0.04
Cash flow from operations	-13,241	12,049	-21,764	14,633	88,418

EBITDA and Adj. EBITDA

SEK thousands	April - June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Operating profit	-14,579	-2,869	-31,867	-17,253	-23,241
Depreciation tangible and intangible fixed assets	4,308	4,101	8,427	8,701	17,461
Amortization of acquired intangible assets ¹	5,542	5,228	11,103	18,398	31,127
EBITDA	-4,729	6,460	-12,337	9,846	25,347

1) Amortisation of intangible fixed assets recognized as part of the acquisition of the Gatso Beheer

Items affecting comparability

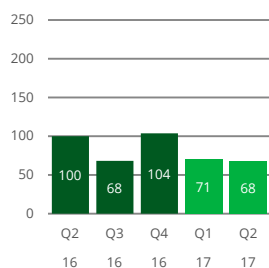
The effects of the costs concerning the transformation program and a release of a contingent liability under Other operating income has affected the comparability of our interim financial statements.

SEK thousands	April - June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
EBITDA	-4,729	6,460	-12,337	9,846	25,347
Adjustments for:					
Effects transformation program	0	-4,664	0	25,336	16,025
Contingent liability release	0	0	0	0	-11,926
Adj. EBITDA ¹	-4,729	1,796	-12,337	35,182	29,446

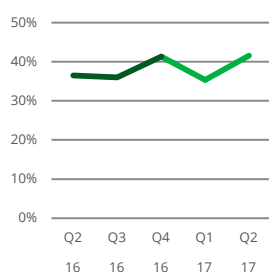
1) Definition on Adj. EBITDA is disclosed on page 20.

Financial results Group

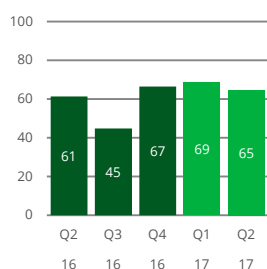
SALES (x Mil)



GROSS MARGIN (%)



ORDER INTAKE (x Mil)



April – June 2017

Net sales in the second quarter, amounted to SEK 68.2 million (100.0) and consisted primarily of deliveries and services to customers in the USA, Belgium, Australia and our home markets Sweden and The Netherlands. The segment System Sales contributed SEK 51.9 (85.9) million, and Managed Services contributed SEK 19.1 (15.3) million to the net sales of the second quarter.

The gross margin for the quarter was 46.8 per cent (36.5). The improvement on margins is due to the sales mix of system sales and managed services between the second quarter 2016 and 2017. Managed Services revenue in general has a higher gross margin compared to systems sales.

Order intake during the second quarter totalled SEK 64.6 million (61.4) and mainly relates to orders received from our customers in USA, Sweden and Latvia amongst other smaller orders.

Expenses totalled SEK 39.6 million (39.4) including amortisation of intangible fixed assets recognized as part of the acquisition SEK 5.5 million (5.2). During the quarter a provision of SEK 3.3 million was taken into account for severance payment of the CEO.

The operating profit for the second quarter totalled SEK -11.3 million (-2.9) and the profit after taxation totalled SEK -12.6 million (-0.9).

During the second quarter investments in fixed assets amounted to SEK 4.6 million (7.4).

January – June 2017

Net sales for the period from January to June 2017 amounted to SEK 138.9 compared to SEK 264.2 for the corresponding period in 2016. The net sales primarily consisted of deliveries and services to customers in United Kingdom, France, the Netherlands, Sweden and recurring revenue in the USA. Sales of the first half year 2016 contained a large part of the sales from the large order received in Northern Africa.

The gross margin for the first half year was 40.9 per cent (30.0). The improvement on margins is due to the sales mix of system sales and managed services.

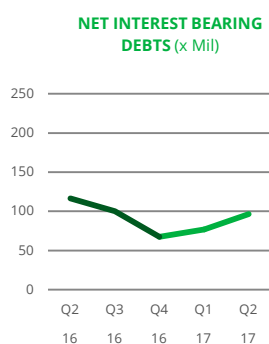
The operating expenses amounted to SEK 88.7 million for the period January to June 2017 compared to SEK 96.6 million for the corresponding period in 2016. The decrease in operating expenses is primarily attributable to the transformation program executed and completed in 2016. The company's total depreciation and amortization for the period from January to June 2017 amounted to SEK 19.5 million compared to SEK 27.1 million for the corresponding period 2016, of which SEK 11.1 million (18.4) was attributable to intangible assets. The decrease of amortisation on intangible fixed assets is related to higher amortisation in 2016 on customer contracts.

Investments

During the first half year investments in fixed assets amounted to SEK 6.6 million (12.6) of which SEK 4.1 million relates to tangible fixed assets and SEK 1.5 million relates to intangible fixed assets.

Financial position

The Group's equity at the end of the period totalled SEK 349.9 million (370.1), producing an equity/assets ratio of 62.1 per cent (53.3). Net interest bearing debt amounted to SEK 96.6 million (116.6).



KSEK	30 June 2017	30 June 2016	31 Dec 2016
Short-term liabilities	29,429	68,745	18,901
Long-term liabilities	81,799	98,974	80,273
Cash and bank	-14,626	-51,154	-31,643
Net debt	96,602	116,565	67,531

The Sensys Gatso share

The number of shares at the end of the period was 657,155,077 (657,155,077). The average number of shares during the period was 657,155,077 (657,155,077).

Personnel

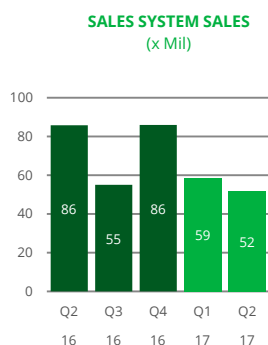
The average number of full time employees was 151 people (174). The number of employees at the end of the period was 166, whereof a part being part-time employees, to be compared with 205 at the second quarter of 2016. The decrease of employees compared to the second quarter 2016 is a result of the transformation program which was completed in 2016.

Business Segments

The two main segments used for internal reporting and managing the different operations are System Sales and Managed Services.

System Sales

Systems Sales amounted to SEK 51.9 million (85.9) in the second quarter of 2017. The system sales for the first half year of 2017 amounted to SEK 110.7 million compared to SEK 239.0 million in the first half year of 2016. The business is generally highly volatile with few big contracts and many smaller deals, where the former normally entail higher margins. Hence, the mix of large and small contracts has a significant impact on profitability from quarter to quarter. Sales of the first half year 2016 contained a large part of the sales from the very large order received in Africa. Our sales have been impacted negatively due to a decreased payment capability amongst the customers in the Middle East. This has caused delay in finalizing opportunities and deals in this region.



The order intake for the segment Systems Sales amounted SEK 44.7 million (64.4) in the quarter mainly relating to orders from our customers in Sweden, Latvia and several smaller orders.

The segment has incurred an EBITDA of SEK -13.1 million in the second quarter and SEK -21.6 million for the first half year of 2017. The EBITDA is lower in the quarter and first half year mainly due to lower sales.

In System Sales, the ownership of the equipment is transferred to the customer. Normally, the equipment is sold to a distributor who handles installations and basic support. System Sales also provides additional sales in the form of annual verifications, support and service, which are included in the net sales of the segment.

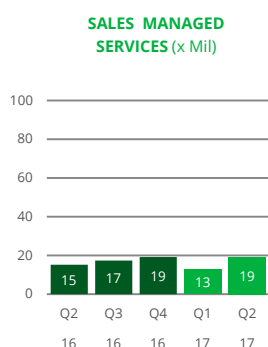
Managed Service

Managed Services sales amounted to SEK 19.1 million (15.3) in the second quarter in 2017. The sales for the first half year of 2017 amounted to SEK 32.0 million compared to SEK 32.3 million in the first half year of 2016. Sales in this segment are impacted by seasonal influences (such as weather and holiday traffic) and are dependent on the volume of violations.

During the quarter five contracts in the USA with total sales of SEK 19.9 million have been extended. The total sales are expected to come in over a period of 12 to 24 months.

As of May 18th, 2017 the group has suspended interstate speed enforcement services in Iowa, following the decision of the Iowa District Court in Polk County which now allows the Iowa Department of Transportation to determine camera purpose and placement.

Even though the impact of Iowa was noticeable at the end of the second quarter the segment has shown a strong performance due to the new program in Southern California



and technology upgrades on existing contracts that have contributed to the sales. This resulted in a positive EBITDA in the second quarter of SEK 8.4 million and a positive operating profit of SEK 0.8 million.

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

SEK thousands	April - June 2017			April - June 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	51,912	19,142	71,055	85,898	15,344	101,242
Inter-segment transactions	-2,866	0	-2,866	-583	-618	-1,201
Total Net Sales	49,047	19,142	68,189	85,315	14,726	100,041
EBITDA	-13,093	8,364	-4,729	3,582	2,878	6,460
Depreciation and amortization	-2,236	-7,614	-9,850	-2,175	-7,154	-9,329
Operating Profit	-15,329	750	-14,579	1,407	-4,276	-2,869
Net financial items			-3,944			-3,105
Profit before tax			-18,523			-5,974
Tax			2,622			5,029
Profit for the period			-15,901			-945

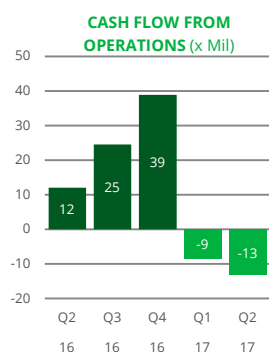
1) In Q2 2016 reporting was only done on Net Sales level

SEK thousands	Jan - June 2017			Jan - June 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	110,692	31,979	142,672	239,001	32,320	271,321
Inter-segment transactions	-3,738	0	-3,738	-5,843	-1,295	-7,138
Total Net Sales	106,955	31,979	138,934	233,158	31,025	264,183
EBITDA	-21,594	9,253	-12,341	2,501	7,344	9,845
Depreciation and amortization	-4,372	-15,158	-19,530	-12,257	-14,842	-27,099
Operating Profit	-25,966	-5,905	-31,871	-9,756	-7,498	-17,254
Net financial items			-5,390			-4,739
Profit before tax			-37,261			-21,993
Tax			4,995			1,138
Profit for the period			-32,266			-20,855

Currency effects

The main foreign currencies used by the Group are EUR, USD and AUD. Revenues and expenses are influenced by fluctuations in these currencies. The currency fluctuations in the first half year of 2017 have had a negative impact on our revenue by 1.7%.

CASH FLOW



Cash flow from operating activities totalled SEK -13.2 million during the second quarter (12.0) in 2017. The negative operating cash flow is caused by a negative operating profit and an increase of inventories during the second quarter.

During the second quarter investments in fixed assets amounted to SEK 4.6 million (6.6).

During the first half year the group's credit facilities have been used to the amount of SEK 23.2 million.

Cash and cash equivalents at the end of the period totalled SEK 14.6 million (51.2).

At the end of the period the total amount of credit facilities not taken up amounts to SEK 49.9 million, resulting in available cash to the amount of SEK 64.5 million.

The group's credit facility agreements are subjected to covenant clauses, whereby the group is required to meet certain key financial ratios. Sensys Gatso did not fulfil the EBITDA ratio as required in the contract for one of the credit facilities to the amount of SEK 25 million resulting in an adjusted credit facility of SEK 15 million going forward.

Sensys Gatso has received a waiver from the bank with regards to the second quarter. Management is in discussion with the bank to renegotiate the terms of bank covenants and the credit facility going forward.

The group has not been using this credit facility and all short term obligations toward the bank have been met in the second quarter. The group has processes in place to monitor the bank covenants and the cash flow and is in control of cash requirements.

OTHER INFORMATION

Significant events during the second quarter

- The group has received an order from the Swedish Transport Administration worth 17 MSEK. The order covers speed enforcement systems for tunnels and spare parts to existing installations of speed enforcement systems.
- The group has suspended interstate speed enforcement services in Iowa as of May 18, 2017, following the decision of the Iowa District Court in Polk County.
- The group has received an order worth 4.3 MSEK from its partner in Latvia. This order is the result of the award letter announced on June 2nd from the Latvian State Police (VP) for portable speed enforcement systems in Latvia.
- Executive Vice President Corporate Development, Johan Frilund, leaves Sensys Gatso Group AB.
- Sensys Gatso Group and Ricardo Rail have signed a strategic agreement for sales and manufacturing of the APMS product (Automatic Pantograph Monitoring System) to the global rail market. Sensys Gatso has entered into this agreement, that does not contain any committed values, in order to improve its focus on the road traffic business.

Significant events during the first quarter 2017

- The Group has received orders worth SEK 18.6 million, corresponding to EUR 1.25 million, from Belgium.
- The Group has signed contract in Southern Europe amounting to SEK 25.6 million
- Sensys Gatso Group AB has transferred its business operations to the fully owned subsidiary Sensys Gatso Sweden AB.

Significant events after the end of the reporting period

- Sensys Gatso Group has appointed a new CEO. The new CEO, Ivo Mönnink, will start on October 1st.
- On August 30th Sensys Gatso Group announced to issue new shares with preferential rights for the Company's shareholders of approximately 100 MSEK. In anticipation of a new share issue the largest shareholder has provided Sensys Gatso Group with a bridge-loan of SEK 7 million in July.
- After the reporting period Sensys Gatso Group agreed with the banks on a lowered credit facility of SEK 15 million in relation to not meeting the EBITDA covenant (see cash flow paragraph for more details).

- The group has received an order from its partner KTC International Co. worth SEK 5 million for Qatar. The order is under condition that Sensys Gatso Group receives a Letter of Credit, securing the payments. The order is expected to be fully delivered before the end of the year.

Apart from this, from the end of June 2017 until the release of this report, no significant events or information has emerged about conditions, either favourable or unfavourable, that justify any additional disclosures.

Related party disclosures

For the period under review no material business transactions were performed with related parties. For details on material transactions after the period with related parties, see the disclosure under “Significant events after the end of the reporting period”.

This report has not been the subject of a review by the Group’s auditor.

For further information please contact:
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This information is information that Sensys Gatso Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 on the 31st of August 2017.

DECLARATION BY THE BOARD OF DIRECTORS

The Board of Directors and the CEO declare that this half-yearly report provides a fair view of the Group's and Company's activities, financial position and financial results, and describes the significant risks and uncertainty factors faced by the Group.

Jönköping, 31 August 2017

Claes Ödman
Chairman

Kerstin Sjöstrand

Ingemar Skogö

Katarina Staaf

Jochem Garritsen

Pia Hofstedt

Torbjörn Sandberg
CEO

This report, from page 4 to 21, has not been the subject of a summary audit by the Group's auditor.

GROUP FIGURES

Consolidated statement of comprehensive income

SEK thousands	April - June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Net sales	68,189	100,041	138,934	264,184	436,607
Cost of goods sold	-36,297	-63,546	-82,065	-184,882	-289,722
Gross profit	31,892	36,495	56,869	79,302	146,885
Selling expenses	-21,302	-15,033	-42,077	-40,354	-86,462
Administrative expenses	-13,065	-11,348	-22,090	-22,902	-43,801
Development expenses	-11,722	-13,022	-24,245	-32,662	-50,874
Other operating expenses/income	-382	39	-324	-637	11,011
Operating profit	-14,579	-2,869	-31,867	-17,253	-23,241
Net financial items	-3,944	-3,105	-5,390	-4,739	-6,724
Profit before tax	-18,523	-5,974	-37,257	-21,992	-29,965
Tax	2,622	5,029	4,995	1,137	5,581
Profit for the period	-15,901	-945	-32,262	-20,855	-24,384
Profit is attributable to owners of Sensys Gatso Group AB	434	89	-425	-19,406	-21,971
Profit is attributable to non- controlling interest	-16,335	-1,034	-31,837	-1,449	-2,413
	-15,901	-945	-32,262	-20,855	-24,384
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Translation differences	-4,359	2,765	-4,423	3,606	23,655
Total other comprehensive income for the period, net after tax	-4,359	2,765	-4,423	3,606	23,655
Total comprehensive income for the period	-20,260	1,820	-36,685	-17,249	-729
Number of shares (thousands)	657,155	657,155	657,155	657,155	657,155
Earnings per share (SEK)	-0.02	0.00	-0.05	-0.03	-0.04

Consolidated balance sheet

SEK thousands	30 June 2017	30 June 2016	31 Dec 2016
Assets			
Goodwill	237,437	243,267	239,302
Customer contracts and relations	43,135	80,162	53,248
Brand	17,189	18,885	18,423
Intangible non-current assets	42,043	45,048	43,578
Property, plant and equipment	7,650	10,857	8,847
Fixed assets in operations	30,078	32,228	34,117
Financial non-current assets ¹⁾	49,875	25,689	51,747
Long-term trade and other receivables	366	377	373
Trade and other receivables	46,457	93,880	62,821
Inventories	53,929	65,366	46,506
Other current assets ²⁾	20,627	33,090	18,632
Cash and bank balances	14,626	51,154	31,643
Total assets	563,412	700,003	609,237
Shareholders' equity and liabilities			
Shareholders' equity	349,938	370,103	386,623
Long-term liabilities	332	19,227	434
Long-term liabilities towards shareholders	81,467	79,747	79,839
Provision	8,580	11,746	9,467
Deferred tax liabilities	27,015	39,732	32,058
Short-term liabilities	29,429	31,079	18,901
Short-term liabilities towards shareholders	0	37,666	0
Trade and other payables	15,671	37,916	21,077
Other current interest-free liabilities	50,980	72,787	60,838
Total shareholders' equity and liabilities	563,412	700,003	609,237

Consolidated statement of changes in equity

SEK thousands	April - June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Beginning of period	370,198	368,283	386,623	387,352	382,941
New share issue, net	0	0	0	0	0
Minority interest in subsidiaries	-16,335	-1,034	-31,837	-1,449	-691
Net profit for the period	434	89	-425	-19,406	452
Other comprehensive income	-4,359	2,765	-4,423	3,606	3,921
End of period	349,938	370,103	349,938	370,103	386,623

Cash flow statement

SEK thousands	April - June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Operating profit	-14,579	-2,869	-31,867	-17,253	-23,241
Items with no effect on cash flow	9,146	-3,679	18,643	44,456	28,971
Financial items	-888	-2,938	-1,433	-4,572	3,863
Tax paid	-1,120	-1,774	-1,497	-2,578	-7,861
Funds contributing from operating activities	-7,441	-11,260	-16,154	20,053	1,732
Change in working capital	-5,800	23,309	-5,610	-5,420	86,686
Cash flow from operating activities	-13,241	12,049	-21,764	14,633	88,418
Cash flow from investing activities	-4,622	-7,401	-6,578	-12,578	-18,612
	-17,863	4,648	-28,342	2,055	69,806
Financing activities					
New loan	0	0	0	493	493
Repayment of loan	-6,287	-15,682	-12,575	-21,932	-34,444
Repayment/usage of credit facilities	18,172	0	23,028	0	-42,743
Repayment of loan to shareholders	0	0	0	-3,100	-32,242
Change in cash and bank balances	-5,978	-11,034	-17,889	-22,484	-39,130
Liquid funds at the beginning of the period	20,993	65,190	31,643	76,189	76,189
Translation differences in liquid funds	-389	-3,002	872	-2,551	-5,416
Closing cash and cash equivalents	14,626	51,154	14,626	51,154	31,643

PARENT COMPANY

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

Statement of comprehensive income

SEK thousands	April- June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Net sales		34,108		53,017	108,972
Other sales	3,000	1,731	4,003	4,127	9,777
Cost of goods sold		-20,646	0	-38,215	-69,376
Gross profit	3,000	15,193	4,003	18,929	49,373
Selling expenses		-3,850	0	-6,267	-15,929
Administrative expenses	-8,615	-6,780	-12,202	-12,788	-29,159
Development expenses	0	-2,516	0	-10,270	-14,844
Other operating expenses/income	0	-22	0	23	-437
Operating profit	-5,615	2,025	-8,199	-10,373	-10,996
Net financial items	-1,270	-2,308	-1,367	-3,704	-6,211
Profit before tax	-6,885	-283	-9,566	-14,077	-17,207
Tax	0	0	0	0	-866
Profit for the period/Comprehensive income for the period	-6,885	-283	-9,566	-14,077	-18,073

*) Numbers prior to January 1st 2017 are before the operational business was transferred to fully owned subsidiary Sensys Gatso Sweden AB.

Balance sheet

SEK thousands	30 June 2017	30 June 2016	31 Dec 2016
Intangible non-current assets	0	0	0
Property, plant and equipment	0	3,692	2,961
Financial non-current assets	24,088	24,954	24,088
Shares in subsidiaries	413,952	395,911	383,952
Non-Current receivables	0	0	209
Trade and other receivables	0	32,390	32,866
Receivables from Group	0	6,851	7,083
Inventories	0	19,562	14,022
Other current assets	399	13,820	3,886
Cash and bank balances	290	44,965	27,840
Total assets	438,729	542,145	496,907
Shareholders' equity and liabilities			
Shareholders' equity	354,547	368,109	364,113
Long-term liabilities		18,750	0
Long-term liabilities towards shareholders	62,120	60,914	60,705
Provision	0	6,430	4,314
Short-term liabilities	6,250	12,500	18,750
Short-term liabilities towards shareholder	0	37,666	0
Trade and other payables	1,711	13,468	12,915
Trade and other payables from Group	8,120	610	3353
Other current interest-free liabilities	5,981	23,698	32,757
Total shareholders' equity and liabilities	438,729	542,145	496,907

*) Numbers prior to January 1st 2017 are before the operational business was transferred to the fully owned subsidiary Sensys Gatso Sweden AB.

Change in shareholders' equity

SEK thousands	April - June 2017	April - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Beginning of period	361,432	368,392	364,113	382,186	382,186
New share issue, net	0	0	0	0	0
Profit for the period/Comprehensive income for the period	-6,885	-283	-6,254	-14,077	-18,073
End of period	354,547	368,109	357,859	368,109	364,113

NOTES

General

Nature of operations

Sensys Gatso Group develops markets, sells and operates world-leading 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 saving lives and social resources. All products are based on our unique, high precision, target-tracking radars offering high legal certainty. The market for traffic safety systems is a global niche market with healthy underlying growth.

Items affecting comparability

In 2016 Sensys Gatso started the announced transformation program resulting in a recorded cost of SEK 30 million in the first quarter of 2016. Due to the final outcome of negotiations with the workers' council and the unions the group has recorded a release of SEK 14.0 million during 2016 on the initial provision resulting in a total cost of the transformation program of SEK 16.0 million.

Also in 2016 the additional purchase price, recognized under short-term liabilities in the balance sheet, was finalized resulting in a payout of SEK 26.0 Million and a release of the liability to the profit and loss, under the other operating income of SEK 11.9 Million.

Volatility

The Group's revenue is affected by the volatility of the System Sales business. Due to the variance in bigger and smaller contracts and the time at which opportunities rise, revenue can be affected significantly during a quarter. To assist in understanding the operational business and to get a better view of the Group's performance, we provide quarterly data over six quarters.

Risks and uncertainty

Significant risks and uncertainties faced by the group primarily consist of commercial risks associated with customers and suppliers, and financial risks in its international business due to changes in exchange- and interest rates, as well as liquidity, financing and credit risks. Currency risks also arise in the translation of foreign net assets and earnings. 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.

For more information about the group's risks, please refer to the 2016 Annual Report. There are not considered to be any significant risks in addition to these.

Accounting policies

Sensys Gatso Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Accounts Act.

The Parent Company's interim report was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 – Accounting for Legal Entities.

The accounting policies adopted are consistent with those of the previous financial year as presented in the annual report for 2016.

There are no new accounting principles applicable from 2016 that affect the Sensys Gatso Group. For more information about the accounting policies applied, please refer to Sensys Gatso's website.

Consolidated statement of income, quarterly data

	2017			2016		
	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	68,189	70,745	103,976	68,447	100,041	164,143
Cost of goods sold	-36,297	-45,768	-61,022	-43,818	-63,546	-121,336
Gross profit	31,892	24,977	42,954	24,629	36,495	42,807
Costs	-46,471	-42,269	-47,573	-25,998	-39,364	-57,191
Operating profit	-14,579	-17,292	-4,619	-1,369	-2,869	-14,384
Net financial items	-3,944	-1,448	-196	-1,789	-3,105	-1,634
Res Profit before tax	-18,523	-18,740	-4,815	-3,158	-5,974	-16,018
Tax	2,622	2,374	4,576	-132	5,029	-3,892
Profit for the period	-15,901	-16,366	-239	-3,290	-945	-19,910

Key indicators and other information, quarterly data

	2017			2016		
	Q2	Q1	Q4	Q3	Q2	Q1
Operating margin (%) ¹⁾	Neg	Neg	Neg	Neg	Neg	Neg
Gross margin (%) ²⁾	46.77	35.31	41.31	35.98	36.48	26.08
Profit margin (%) ³⁾	Neg	Neg	Neg	Neg	Neg	Neg
Equity per share (SEK) ⁴⁾⁵⁾	0.53	0.56	0.59	0.58	0.56	0.56
Cash flow per share (SEK) ⁶⁾	-0.02	-0.01	0.06	0.04	0.01	0.01
Number of employees ⁷⁾	166	175	169	171	205	209
No. Of outstanding shares (thousands)	657,155	657,155	657,155	657,155	657,155	657,155
Equity/assets ratio (%)	62.11	64.56	63.46	60.04	53.28	49.04
Order intake (SEK thousands)	64,603	68,570	66,564	44,828	61,411	27,055

1) Operating income relative to sales

2) Gross margin relative sales

3) Profit after taxation relative sales

4) Refers to profit and shareholder's equity before and after dilution

5) Sensys has no outstanding incentive schemes that involve a dilution effect

6) Operating cash flow relative number of shares

7) Total number of employees at the end of the period

For definitions of key indicators, please refer to the annual report issued for 2015, which is available on the Sensys Gatso website www.sensysgatso.com

EBITDA and Adjusted EBITDA

(Earnings before interest, taxes, depreciation and amortization)

On July 31st 2015 a large acquisition was made, generating considerable amounts of amortization of intangible assets compared to previous years. Due to this, we believe that, in order to assist in understanding the operational business and growth, it is useful to consider EBITDA when comparing with previous years and other companies.

The adjusted EBITDA figures concern the EBITDA adjusted for the effects of the transformation program as a one of cost and the effects of the release of the contingent liability.

FINANCIAL INFORMATION

Invitation to a presentation for press and analysts

On 31 August at 09:30, Chairman Claes Ödman, CEO Torbjörn Sandberg and CFO Niki Gatsonides will present the report and answer questions in an audiocast. The presentation can be followed online via the link on Sensys' website: www.sensysgatso.com or <http://media.fronto.com/cloud/sensys/170831>

It is also possible to listen to the presentation and ask questions by phone; you can register via the two following options:

Pre-registration via web link

To take part in the telephone conference, we would ask you to pre-register in good time ahead of the event via the following web link:

<http://emea.directeventreg.com/registration/71009390>

Open the link and follow the instructions. When registration has been completed, a confirmation email will be sent to the email address specified during registration. This email will contain phone number and a code (Direct Event Passcode). Select the appropriate number to call.

To take part in the conference, when prompted, enter the code followed by "#".

Directly by phone:

As an alternative to online registration to take part in the event via the telephone conference function, the following phone numbers may be called:

Sweden: +46 (0)8 566 194 25

USA: +1 8 669 049 624

UK: +44 (0) 844 571 89 31

You will be prompted to enter an event code; ignore this, and wait instead (1–2 min) until the operator speaks, and then state your: Conference ID: [71009390](http://emea.directeventreg.com/registration/71009390) or "Sensys" to register.

Please call ten minutes before the time specified.

Financial calendar

Future reporting dates

Interim report July – September 2017	23 Nov 2017
Interim report October – December 2017	22 Feb 2018
Interim report January – March 2018	17 May 2018
Annual General Meeting 2017	17 May 2018

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