

Sensys Gatso Group AB

Interim report

July - September 2016



July – September 2016

- Net sales MSEK 68.4 (100.3)
- Order intake MSEK 44.8 (39.7)
- EBITDA MSEK 9.7 (2.7)
- The profit after tax MSEK -3.3 (-5.9)
- Comprehensive income 12.8 MSEK (-12.1)
- Earnings per share, before and after dilution, SEK -0.01 (-0.01)
- Cash flow from operating activities amounted to MSEK 24.6 (-5.1)

January – September 2016

- Net sales MSEK 332.6 (219.1)
- Order intake MSEK 133.3 (106.0)
- EBITDA 19.6 (37.8)
- The profit after tax MSEK -24.1 (21.1)
- Comprehensive income -4.4 MSEK (14.8)
- Earnings per share, before and after dilution, SEK -0.04 (0.04)
- Cash flow from operating activities amounted to MSEK 39.2 (27.3)

Numbers prior 1 August 2015 are for Sensys Traffic AB stand alone.

Items affecting comparability

The effects of the one-off costs concerning the transformation program and a release of a contingent liability under Other operating income has effected the comparability of our interim financial statements. The adjusted financial figures are as follows:

July – September 2016

- Adj. EBITDA MSEK -11.5

January – September 2016

- Adj. EBITDA MSEK 23.6

COMMENTS FROM THE CEO

The uncertain macroeconomic and geopolitical environment continues to affect our result, where the outcome of the US elections and the war in Syria have had a major impact on our business in the Middle East. In addition, the uncertainty regarding Brexit, the future for EU as well as the perceived threat from Russia affect the willingness from our customers to place orders. However, this situation might turn around rapidly, and we still see that the underlying performance is stable and we remain optimistic about our long-term prospects.

During the third quarter, net sales amounted to SEK 68.4 million (100.3). EBITDA was SEK 9.7 million (2.7) and operating profit came in at SEK -1.4 million (-7.4).

Order intake amounted to SEK 44.8 million (39.7), which is lower than the previous quarter mainly due to delays caused by the geopolitical situation, but also related to the volatility in the System Sales business. In the quarter we have received two larger orders from the UAE worth SEK 14.3 million, and from MENA worth SEK 9.5 million. After the end of the quarter, we have also received an order from Sweden worth SEK 28.0 million covering systems and cabinets for traffic safety cameras. In addition, installation and commissioning of the cameras will be ordered separately in 2017 as the roll-out plan progresses.

Sales in our two business segments amounted to SEK 52.2 million for System Sales and SEK 16.2 million for Managed Services. In System Sales, we continued to roll out the orders from Sweden, Latvia and the Middle East. In Managed Services, we have continued to roll out the order from Southern California covering an upgrade of the red light camera received in October 2015. The contract runs for five years. We are also expanding the installed base in other US cities.

We have continued to execute on the transformation program, resulting in a reduction of net working capital and cost savings. Even though we already see a lower net working capital and cost savings, the program will reach full effect in the first quarter 2017. We also see potential for further improvements ahead. Thanks to these efforts we have seen a strong cash flow performance throughout the year, resulting in a positive cash flow from operating activities to the amount of SEK 39.2 million, of which SEK 24.6 million in the third quarter. The positive cash flow is mainly due to reduction of our net working capital and focus on our operational expenses. We have used our positive cash flow to reduce our long-term and short-term loans by SEK 60.4 million, of which SEK 35.3 million in the third quarter, creating flexibility for financing future opportunities. By expanding our short-term credit facilities with SEK 9.5 million, the company has created more flexibility in the financing structure necessary in a volatile business.

During the quarter, the 12 months remeasurement period for the fair values of the acquisition of Gatso Beheer ended, resulting in changes to the PPA. A deferred tax asset of SEK 28.1 million has been identified and recorded. At the same time, the value of customer contracts has been lowered by SEK 22.2 million.

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Albeit the macro-related challenges, we maintain our optimistic view of our future prospects. We will continue to focus on streamlining the business as well as increasing the proportion of recurring revenues.

Supporting our long-term potential, we also see an increasing interest in our services across our regions and believe that our extended scale and reach will benefit the business on a long-term and sustainable basis.

Torbjörn Sandberg
CEO, Sensys Gatso Group

FINANCIAL SUMMARY

Key indicators (unadjusted)

SEK thousands	July – Sept 2016	July – Sept 2015	Jan – Sept 2016	Jan – Sept 2015	Jan – Dec 2015	Oct 2015 – Sept 2016
Net sales	68,447	100,335	332,631	219,138	397,825	511,318
Order intake	44,828	39,749	133,294	105,976	292,410	319,728
Operating profit	-1,369	-7,391	-18,622	27,256	48,703	2,825
Operating margin (%)	Neg	Neg	Neg	12.4	12.2	Neg
Gross margin (%)	36.0	40.6	31.2	45.5	41.7	33.3
Profit for the period	-3,290	-5,893	-24,145	21,056	40,929	-4,272
Earnings per share (SEK)	-0.01	-0.01	-0.04	0.04	0.07	-0.01
Cash flow from operations	24,550	-5,128	39,186	27,348	37,744	49,582

Numbers prior 1 August 2015 are for Sensys Traffic AB stand alone.

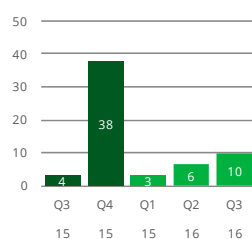
EBITDA and Adj. EBITDA

SEK thousands	July – Sept 2016	July – Sept 2015	Jan – Sept 2016	Jan – Sept 2015	Jan – Dec 2015	Oct 2015 – Sept 2016
Operating profit	-1,369	-7,391	-18,622	27,256	48,703	2,825
Depreciation tangible and intangible fixed assets	3,986	2,526	12,686	2,994	7,860	17,552
Amortization of acquired intangible assets ¹⁾	7,088	7,524	25,486	7,524	19,088	37,050
EBITDA	9,705	2,659	19,550	37,774	75,651	57,427
<i>Adjustment for:</i>						
Effects transformation program	-9,311	0	16,025	0	0	16,025
Contingent liability release	-11,926	0	-11,926	0	0	-11,926
Adj. EBITDA ²⁾	-11,532	2,659	23,649	37,774	75,651	61,526

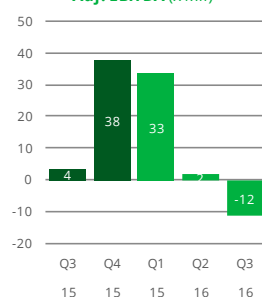
1) Amortisation of intangible fixed assets recognized as part of the acquisition of the Gatso Beheer (PPA, Purchase Price Allocation)

2) Definition on Adj. EBITDA is disclosed on page 17.

EBITDA (x Mil)

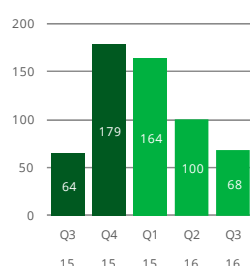


Adj. EBITDA (x Mil)



Financial results group

SALES (x Mil)



July - September 2016

Net sales in the third quarter, amounted to SEK 68.4 million (100.3) and consisted primarily of deliveries to customers in Sweden, Australia, and the Netherlands as well as recurring revenue in the USA. The System Sales segment contributed SEK 52.2 million, and Managed Services contributed SEK 16.2 million to the net sales in the third quarter.

The gross margin for the quarter was 36.0 per cent (40.6).

Order intake during the third quarter totalled SEK 44.8 million (39.7) and relates to orders from UAE, MENA and several smaller orders.

Expenses totalled SEK 26.0 million (48.1) and includes amortisation on Purchase Price Allocation (PPA) of SEK 7.1 million (7.5). The PPA concerns recognized intangible fixed assets from the acquisition of Gatso Beheer B.V. The amortisation of the PPA is done over time, whilst the surplus value, accounted for as goodwill, will be subject to impairment tests and adjusted based on the performance of the company.

The total expenses have been positively influenced by the reversal of the transformation program provision to the amount of SEK 9.3 million and the release of the contingent consideration relating to the additional purchase price to the amount of SEK 11.9 million.

The operating profit for the third quarter totalled SEK -1.4 million (-7.4) and the profit after taxation totalled SEK -3.3 million (-5.9).

January - September 2016

Net sales for the period amounted to SEK 332.6 million (219.1). The System Sales segment contributed SEK 285.4 million, and Managed Services contributed SEK 47.2 million to the net sales in the period.

The gross margin for the period amounted to 31.2 per cent (45.5).

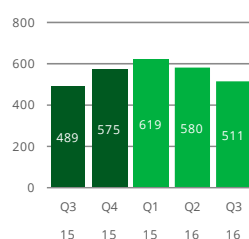
Order intake during the first nine months totalled SEK 133.3 million (106.0) and relates mostly to orders from Latvia and France, and several smaller orders.

Expenses for the year totalled SEK 122.6 million (72.4) and includes amortisation on PPA of SEK 25.5 million (7.5).

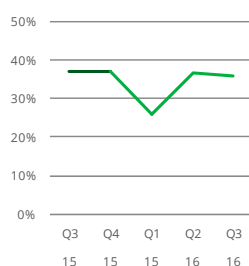
The total expenses have been negatively influenced by the one-off costs of the transformation program. The initial estimate of the one-off costs of the transformation program amounted to SEK 30.0 million. The Group has completed the negotiations with Employee Representatives and Trade Unions in Sweden and the Netherlands. The total costs for the transformation program amount to SEK 16.0 million. This is SEK 14.0 million lower than the initial estimated amount as a result of lower contract termination expenses and costs for consultants and lawyers.

The expenses have been positively influenced by the release of the contingent consideration relating to the additional purchase price to the amount of SEK 11.9 million.

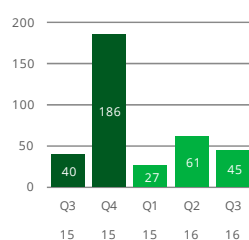
PRO FORMA ROLING
SALES (x Mil)



GROSS MARGIN (%)



ORDER INTAKE (x Mil)



The operating profit for the period totalled SEK -18.6 million (27.3), and the profit after taxation totalled SEK -24.1 million (21.1).

Investments

During the first three quarters investments in fixed assets amounted to SEK 15.7 million, of which SEK 11.2 million were made in fixed assets in operations, reflecting the strategy to increase sales in the segment Managed Services. Investments in other fixed assets amounted to SEK 4.5 million relating mainly to our new head office in Jönköping and our office in Boston.

NET DEBT

KSEK	Sep 30, 2016
Short-term liabilities	130,939
Long-term liabilities	123,960
Cash and bank	-36,791
Net debt	218,108

Financial position

The Group's equity at the end of the period totalled SEK 382.9 million (364.8), producing an equity/assets ratio of 60.0 per cent (47.4). Net debt amounted to SEK 218.1 million at the end of the quarter (315.5). The net debt position improved compared to the second quarter (273.4) mainly thanks to positive cash flow from operating activities to the amount of SEK 24.6 million.

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 168 people (163). The number of employees at the end of the period was 171, whereof a part being part-time employees, to be compared with 202 at the end of 2015.

Business Segments

During the first quarter we started reporting in two business segments, Systems Sales and Managed Services. These two main segments are used for internal reporting and managing the different operations within the company.

System Sales

Systems Sales amounted to SEK 52.2 million in the third quarter and to SEK 285.4 million for the first nine months.

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

Order intake during the third quarter relates to, amongst other smaller orders, orders received from the UAE and MENA covering traffic safety systems.

Managed Service

Managed Services sales amounted to SEK 16.2 million in the third quarter and SEK 47.2 million for the first nine months.

The segment focuses on large and smaller managed services contracts where the ownership of the equipment remains with the company. 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.

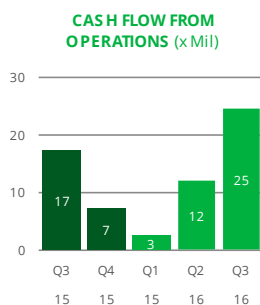
Contracts normally run for 3–5 years with a considerable possibility of extension. Sales have been stable throughout the year.

SEK thousands	July - September 2016			Jan - September 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	55,153	17,456	72,609	294,154	49,776	343,930
Inter-segment transactions	-2,913	-1,249	-4,162	-8,755	-2,544	-11,299
Total Net Sales	52,240	16,207	68,447	285,399	47,232	332,631
EBITDA	7,712	1,993	9,705	2,501	7,344	19,550
Depreciation and amortization	-4,104	-6,970	-11,074	-16,354	-21,818	-38,172
Operating Profit	3,608	-4,977	-1,369			-18,622
Net financial items			-1,789			-6,528
Profit before tax			-3,158			-25,150
Tax			132			1,005
Profit for the period			-3,290			-24,145

Currency effects

Due to the international structure of the Group, the Group is effected by currency fluctuations. The main foreign currencies used by the Group are EUR, USD and AUD. Revenues and expenses are influenced in the third quarter due to this increase.

CASH FLOW



Cash flow from operating activities totalled SEK 24.6 million during the third quarter (-5.1) and 39.2 million for the first nine months of the year (27.3).

During the first nine months, the Group invested SEK 11.2 million in fixed assets in operations reflecting the strategy to increase sales in the Managed Services segment. Investments in other fixed assets amounted to SEK 4.5 million relating mainly to our new head office in Jönköping and our office in Boston.

In the first nine months payments of SEK 60.3 million have been made to repay loans to banks to the amount of SEK 28.1 million and repay loans to shareholders to the amount of SEK 32.2 million.

Cash and cash equivalents at the end of the period totalled SEK 36.8 million (89.5).

The credit facility was expanded by approximately SEK 9.5 million, giving more flexibility to the group. The total amount of credit facilities not taken up amounts to SEK 49.1 million at the end of the period, resulting in available cash to the amount of SEK 85.9 million.

OTHER INFORMATION

Significant events during the quarter

- The Group has received an order from the UAE worth SEK 14.3 million (EUR 1.5 million), estimated to be delivered during the fourth quarter 2016.
- The Group has received an order from MENA worth SEK 9.5 million (EUR 1.0 million). Deliveries under this order will commence as soon as full payment has been received, and are planned to be finalized within the first quarter 2017.
- In the quarter SEK 9.3 million was released from the provision for transformation program.
- Repayment of bank loans amounted to SEK 6.3 million.
- Repayment of loans to shareholders amounted to SEK 29.1 million.
- The bank credit facility in the Netherlands was expanded by approximately SEK 9.5 million (EUR 1.0 million), giving more flexibility to the company.
- During the quarter the additional purchase price, recognized under short-term liabilities in the balance sheet, has been 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.
- The remeasurement period of 12 months regarding the Purchase Price Allocation has been closed in the quarter.

Significant events for the period January-September

- The group has received a total order intake to the amount of SEK 133.3 million consisting of announced larger orders and several smaller orders.
- The company has finalized the negotiations with the unions according to the transformation plan resulting in a total cost of the transformation program of SEK 16.0 million. This is SEK 14.0 million lower than the initial estimated costs of SEK 30.0 million. In the period SEK 14.0 million was released from the provision for transformation program.
- The company invested SEK 11.2 million in Fixed assets in operations.
- Repayment of bank loans amounted to SEK 28.1 million.
- Repayment of loans to shareholder to SEK 32.2 million.
- The bank credit facility in the Netherlands was expanded by approximately SEK 9.5 million (EUR 1.0 million), giving more flexibility to the company.
- During the period the additional purchase price, recognized under short-term liabilities in the balance sheet, has been 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.
- The remeasurement period of 12 months regarding the Purchase Price Allocation has been closed during the period.

Significant events after the end of the reporting period

- The Group has received an order from the Swedish Transport Administration worth SEK 28.0 million, estimated to be delivered in 2017.

Apart from this, from the end of September 2016 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.

This report has been the subject of a limited review by the Group's auditor. The review report is on page 20.

For further information please contact:

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This is information that Sensys Gatso Group AB (publ) must make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:30 on 24 November 2016.

THE GROUP

Consolidated statement of comprehensive income

SEK thousands	July – Sept 2016	July – Sept 2015	Jan – Sept 2016	Jan – Sept 2015	Jan – Dec 2015
Net sales	68,447	100,335	332,631	219,138	397,825
Cost of goods sold	-43,818	-59,624	-228,700	-119,466	-231,997
Gross profit	24,629	40,711	103,931	99,672	165,828
Selling expenses	-23,104	-21,003	-63,458	-32,666	-62,622
Administrative expenses	-8,513	-13,202	-31,415	-17,024	-27,110
Development expenses	-6,521	-10,317	-39,183	-18,382	-25,515
Other operating income/expenses ¹⁾	12,140	-3,580	11,503	-4,346	-1,878
Operating profit	-1,369	-7,391	-18,622	27,256	48,703
Net financial items	-1,789	201	-6,528	104	-1,422
Profit before tax	-3,158	-7,190	-25,150	27,360	47,281
Tax	-132	1,297	1,005	-6,304	-6,352
Profit for the period	-3,290	-5,893	-24,145	21,056	40,929
Profit is attributable to	-3,017	-5,893	-22,423	21,056	41,405
Owners of Sensys Gatso Group AB					
Non- controlling interest	-273	0	-1,722	0	-476
	-3,290	-5,893	-24,145	21,056	40,929
Other comprehensive income					
Translation differences	16,128	-6,232	19,734	-6,232	-11,523
Total other comprehensive income for the period, net after tax	16,128	-6,232	19,734	-6,232	-11,523
Comprehensive income for the period	12,838	-12,125	-4,411	14,824	29,406
Number of shares	657,155	618,095	657,155	567,136	657,155
Earnings per share	-0.01	-0.01	-0.04	0.04	0.06

1) Including SEK 11.9 million release of the contingent liability in the reporting period

Consolidated balance sheet

SEK thousands	30 Sept 2016	Adj. 30 Sept 2015 ¹⁾	Adj. 31 Dec 2015 ¹⁾
Assets			
Goodwill	237,630	221,870	226,340
Customer contracts	54,102	80,535	71,417
Brand	18,821	20,055	19,393
Intangible non-current assets	44,047	51,639	48,131
Property, plant and equipment	6,435	5,768	5,999
Fixed assets in operations	38,171	25,836	32,420
Deferred tax assets	52,344	52,454	53,200
Long-term trade and other receivables	381	11,593	376
Trade and other receivables	63,684	104,958	132,501
Inventories	61,981	90,257	75,434
Other current assets	23,453	15,360	29,020
Cash and bank balances	36,791	89,529	76,189
Total assets	637,840	769,854	770,420
Shareholders' equity and liabilities			
Shareholders' equity	382,941	364,815	387,352
Long-term liabilities	448	25,000	18,750
Long-term liabilities to shareholders	78,909	73,182	76,746
Provision	11,735	12,311	14,116
Deferred tax liabilities	32,868	42,799	39,156
Short-term liabilities	57,544	85,438	78,034
Short-term liabilities to shareholders	0	37,640	41,135
Trade and other payables	20,795	70,918	56,401
Other current interest-free liabilities	52,600	57,751	58,730
Total shareholders' equity and liabilities	637,840	769,854	770,420

1) The balance sheet has been adjusted for remeasurement of the PPA disclosed in the notes on page 18 of this report.

Consolidated statement of changes in equity

SEK thousands	July - Sept 2016	July - Sept 2015	Jan - Sept 2016	Jan - Sept 2015	Jan - Dec 2015
Beginning of period	370,103	168,213	387,352	141,264	141,264
New share issue, net	0	208,727		208,727	208,727
Net profit for the period	-3,017	-5,893	-22,423	21,056	41,405
Movement of minority interest in subsidiaries	-273	0	-1,722	0	-476
Other comprehensive income	16,128	-6,232	19,734	-6,232	-11,523
Total comprehensive income for the period	12,828	-12,125	-4,411	14,824	29,406
End of period	382,941	364,815	382,941	364,815	387,352

Cash flow statement

SEK thousands	July – Sept 2016	July – Sept 2015	Jan – Sept 2016	Jan – Sept 2015	Jan – Dec 2015
Operating profit	-1,369	-7,391	-18,622	27,256	48,703
Items with no effect on cash flow	-20,842	7,694	23,614	9,765	31,299
Financial items	8,526	0	3,954	0	-1,422
Tax paid	-6,630	0	-9,205	0	-4,822
Funds contributing from operating activities	-20,315	18,935	-259	37,021	73,758
Change in working capital	44,866	-5,431	39,446	-9,673	-36,014
Cash flow from operating activities	24,550	-5,128	39,186	27,348	37,744
Cash flow from investing activities	-3,161	-68,300	-15,739	-68,332	-79,552
	21,389	-73,428	23,447	-40,984	-41,808
Financing activities					
New loan	0	50,000	493	50,000	50,000
Repayment of loan	-6,250	0	-28,123	0	-6,250
Repayment of loan to shareholders	-29,083	0	-32,242	0	-3,825
Change in cash and bank balances	-13,944	-23,428	-36,425	9,016	-1,883
Liquid funds at the beginning of the period	51,154	112,957	76,189	80,513	80,513
Translation differences in liquid funds	-419	0	-2,973	0	-2,441
Closing cash and cash equivalents	36,791	89,529	36,791	89,529	76,189

PARENT COMPANY

Statement of comprehensive income

SEK thousands	July – Sept 2016	July – Sept 2015	Jan – Sept 2016	Jan – Sept 2015	Jan – Dec 2015
Net sales	14,605	37,539	67,622	156,342	187,560
Other sales	1,830	0	5,956	0	2,724
Cost of goods sold	-10,206	-18,948	-48,422	-78,790	-96,077
Gross profit	6,229	18,591	25,156	77,552	94,207
Selling expenses	-5,251	-6,834	-11,517	-18,497	-27,057
Administrative expenses	-7,210	-1,924	-19,998	-5,744	-12,624
Development expenses	-939	-3,702	-11,209	-11,767	-16,445
Other operating expenses/income	-69	-704	-44	-1,470	-1,897
Operating profit	-7,240	5,427	-17,612	40,074	36,184
Net financial items	-1,069	465	-4,775	368	2,359
Profit before tax	-8,309	5,892	-22,387	40,442	38,543
Tax	0	-1,296	0	-8,897	-6,348
Profit for the period/Comprehensive income for the period	-8,309	4,596	-22,387	31,545	32,195

Balance sheet

SEK thousands	30 Sept 2016	30 Sept 2015	31 Dec 2015
Intangible non-current assets	0	69	0
Property, plant and equipment	3,315	856	1,710
Financial non-current assets	25,163	22,405	24,954
Shares in subsidiaries	383,985	395,911	395,911
Non-Current receivables	0	10,000	2,500
Trade and other receivables	18,490	36,792	46,585
Receivables from Group companies	1,830	0	2,725
Inventories	19,520	19,661	21,187
Other current assets	3,567	3,453	3,552
Cash and bank balances	31,335	85,654	70,724
Total assets	487,205	574,801	569,848
Shareholders' equity and liabilities			
Shareholders' equity	359,799	381,536	382,186
Long-term liabilities	0	21,182	18,750
Long-term liabilities to related parties	61,572	63,988	58,466
Provision	6,430	7,248	7,144
Short-term liabilities	25,000	25,000	25,000
Short-term liabilities to related parties	0	37,640	36,560
Trade and other payables	12,025	20,533	14,207
Trade from Group companies	651	0	865
Other current interest-free liabilities	21,728	17,674	26,670
Total shareholders' equity and liabilities	487,205	574,801	569,848

Change in shareholders' equity

SEK thousands	July - Sept 2016	July - Sept 2015	Jan - Sept 2016	Jan - Sept 2015	Jan - Dec 2015
Beginning of period	368,108	168,213	382,186	141,264	141,264
New share issue, net	0	208,727	0	208,727	208,727
Profit for the period/Comprehensive income for the period	-8,309	4,596	-22,387	31,545	32,195
End of period	359,799	381,536	359,799	381,536	382,186

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 the first quarter of 2016, the company recorded a one-off cost of SEK 30 million concerning the transformation program. The initial amount was an estimate by management based on the transformation program. Although the transformation program will be completed to a great extent in the fourth quarter of 2016, management has made a new estimate based on the outcome of final negotiations with the workers' council and the unions, where 32 people have been laid off (mainly assembly). Due to this outcome, the company recorded a reversal in the provision of SEK 9.3 Million in the period. The total reversal of provision amounted to SEK 14.0 Million.

During the quarter the additional purchase price, recognized under short-term liabilities in the balance sheet, has been 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.

Comparative figures

Numbers prior 1 August 2015 are for Sensys Traffic AB stand alone.

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 company 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 company's risks, please refer to the 2015 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 2015.

There are no new accounting principles applicable from 2015 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

	2016				2015	
	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	68,447	100,041	164,143	178,687	100,335	64,475
Cost of goods sold	-43,818	-63,546	-121,336	-112,531	-59,624	-35,274
Gross profit	24,629	36,495	42,807	66,156	40,711	29,201
Costs	-25,998	-39,364	-57,191	-44,709	-48,102	-11,715
Operating profit	-1,369	-2,869	-14,384	21,447	-7,391	17,486
Net financial items	-1,789	-3,105	-1,634	-1,526	201	-230
Res Profit before tax	-3,158	-5,974	-16,018	19,921	-7,190	17,256
Tax	-132	5,029	-3,892	-48	1,297	-3,796
Profit for the period	-3,290	-945	-19,910	19,873	-5,893	13,460

Key indicators and other information, quarterly data

	2016				2015	
	Q3	Q2	Q1	Q4	Q3	Q2
Operating margin. % ¹⁾	Neg	Neg	Neg	12.0	Neg	27.1
Gross margin. % ²⁾	36.0	36.5	26.1	37.0	40.5	45.3
Profit margin. % ³⁾	Neg	Neg	Neg	11.1	Neg	20.9
Equity per share. SEK ⁴⁾⁵⁾	0.58	0.56	0.56	0.6	0.55	0.31
Cash flow per share. SEK ⁶⁾	0.04	0.01	0.01	0.01	-0.05	0.03
Number of employees ⁷⁾	171	205	209	202	202	41
No. of outstanding shares, thousands	657,155	657,155	657,155	657,155	657,155	541,234
Equity/assets ratio. %	60.0	53.3	49.0	50.3	47.4	78.0
Order intake, SEK thousands	44,828	61,411	27,055	186,434	39,749	23,011

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 company's website www.sensysgatso.com

EBITDA and Adjusted EBITDA

(Earnings before interest, taxes, depreciation and amortization)

The Company made a large acquisition on July 31st 2015, 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.

Contingent liabilities

In addition to the nominal purchase price of 279.8 million, there was an additional purchase price of SEK 37.9 million based on performance in certain projects. The minimum payment was zero and the maximum payment was SEK 37.9 Million. During the quarter the additional purchase price, recognized under short-term liabilities in the balance sheet, has been 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.

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

Remeasurement of estimated fair values at time of acquisition

The fair values disclosed in the Q3 report 2015 with regards to the acquisition of Gatso Beheer BV were preliminary. During the remeasurement period of 12 months the group has reassessed the assets and liabilities concerning the recognized PPA as of July 31, 2016.

During the remeasurement period the group has gained more insight into its assets and liabilities. At initial recognition deferred tax assets were identified for tax losses that could be utilized against future profits. These deferred tax assets were not recorded due to uncertainties of change in ownership tax regulations. During the 12 months period the impact of the change in ownership has been investigated. This resulted in approximately SEK 66.5 million of fiscal net operating losses that can be utilized against future profits. The group has recorded a deferred tax asset against current tax rates for the amount of SEK 28.1 Million. In addition the group has lowered the value of customer contracts to the amount of SEK 16.9 Million taking into consideration the deferred tax liabilities.

The remeasurement of the estimated fair values at time of acquisition did not impact the consolidated statement of comprehensive income and shareholders' equity.

The fair value assessment of the PPA has now been finalized giving the following balance sheet as per July 31, 2015:

SEK millions	Estimated fair value at time of acquisition	Revised fair value at time of acquisition	Measurement period adjustments
Cash and cash equivalents	6,7	6,7	
Property plant and equipment	33,9	33,9	
Customer contracts and relationship	111,5	89,3	-22,2
Brand	20,9	20,9	
Deferred tax assets	0,9	29,0	28,1
Intangible fixed assets	53,4	53,4	
Inventory	65,4	65,4	
Receivables	46,5	46,5	
Liabilities	-138,4	-138,4	
Deferred tax liabilities	-51,1	-45,8	5,3
Total identified value of assets and liabilities	149,7	160,9	11,2
Goodwill	238,3	227,1	-11,2
Total consideration	388,0	388,0	-

The adjustment on the comparative figures of the consolidated balance sheet as per 30 September 2015 and 31 December 2015 are as follows:

SEK thousands	30 Sept 2015	Adjustments	Adj. 30 Sept 2015
Goodwill	233,022	-11,152	221,870
Customer contracts	102,782	-22,247	80,535
Deferred tax assets	24,394	28,060	52,454
Deferred tax liabilities	-48,138	5,339	-42,799

SEK thousands	31 Dec 2015	Adjustments	Adj. 31 Dec 2015
Goodwill	237,203	-10,863	226,340
Customer contracts	92,821	-21,404	71,417
Deferred tax assets	26,070	27,130	53,200
Deferred tax liabilities	44,293	5,137	39,156

FINANCIAL INFORMATION

Invitation to a presentation for press and analysts

On 24 November at 09:30, 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

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/96571922>

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 56619425

USA: +1 8 66 90 49 624

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: **96571922** or "Sensys" to register.

Please call ten minutes before the time specified.

Financial calendar

Future reporting dates

Interim report October – December, 2016	23 February 2017
Annual General Meeting, 2016	18 May 2017
Interim report Jan – March, 2017	17 May 2017
Interim report April – June, 2017	31 August 2017

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Sensys Gatso Group AB is a global leader in traffic management solutions for nations, cities and fleet owners. Sensys Gatso Group has subsidiaries in Australia, Germany, the Netherlands, Sweden and the USA, and a branch office in the United Arab Emirates. The Sensys Gatso Group's shares are listed on Nasdaq Stockholm. The Group has 202 employees and is the result of a merger of Sensys Traffic AB and Gatso Beheer B.V. following the acquisition of Gatso Beheer.

For further information, visit www.sensysgatso.com



Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of Sensys Gatso Group AB (publ.) as of 30 September 2016 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Jönköping, 24 November 2016

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist
Authorized Public Accountant
Auditor in Charge

Magnus Brändström
Authorized Public Accountant