

# Sensys Traffic AB (publ)

## Interim Report, January–June 2014

### APRIL–JUNE 2014

- Net sales amounted to SEK 44.2m in Q2, compared with SEK 19.5m in the same period last year
- Order intake totalled SEK 15.0 m (4.0)
- Operating profit amounted to SEK 6.7m (-0.8), corresponding to an operating margin of 15.1 percent (Neg)
- Profit after tax for the quarter was SEK 5.2m (-0,8)
- Earnings per share before and after dilution amounted to SEK 0.01 (0.00)
- Cash flow from operating activities totalled SEK 1.1m (-1.4)

### JANUARY–JUNE 2014

- Net sales amounted to SEK 58.8m, compared with SEK 27.0m in the same period last year
- Order intake totalled SEK 28.5m (21.1)
- Operating profit amounted to SEK 1.7m (-7.8), corresponding to an operating margin of 2.9 percent (Neg)
- Profit after tax for the period was SEK 1.3m (-7.8)
- Earnings per share before and after dilution amounted to SEK 0.00 (-0.01)
- Cash flow from operating activities totalled SEK 7.5m (-4.2)

### CEO COMMENTARY: DELIVERIES LAY THE FOUNDATIONS FOR THE FUTURE

Net sales in the second quarter rose by 127 percent. This robust growth was primarily fuelled by measurement system deliveries to the Swedish ATC stations (Automatic Safety Control). We delivered an operating profit of SEK 6.7m. Our gross margin for the quarter was affected negatively by costs relating to the structuring of our service and maintenance organisation in Sweden, but the new operation produced a positive cash flow during the second quarter.

The Swedish project is a significant reference project in our international marketing. High quality systems, security of delivery, efficient installation processes, commissioning and maintenance are key competitive factors in our business. Sensys' ability and capacity to supply large volume projects is reflected in the fact that we have succeeded in keeping to a challenging deployment plan for systems for the Swedish ATC stations. We have delivered at a faster pace than planned and we have already exceeded the agreed minimum order value of SEK 110m. In addition to installation and commissioning of exchange systems, we also maintain existing ATC stations.

The international traffic safety market is showing positive development. We are continuing to market new and existing customers both in the Middle East and the US, as well as in Europe and Asia. When it comes to the railway market, the Finnish Transport Agency placed a new order in Q2 worth SEK 9m for additional systems for pantographs on trains (APMS). Our strategy is to build confidence via initial pilot tests and we believe that this order will have a positive impact on the level of orders in the countries in which we operate.

Our strategy of focusing on long-term volume markets remains in place. We have competitive products, good customer relationships and a stable financial situation, all of which stand us in good stead for the future.

Johan Frilund

CEO, Sensys Traffic AB

## KEY FIGURES

*Individual orders are often of such a size that they perceptibly affect sales and operating results.*

SEK K	April–June 2014	April–June 2013	Jan–June 2014	Jan–June 2013	July 2013 – June 2014	2013
Net sales	44,249	19,463	58,795	27,013	94,249	62,467
Order intake	15,050	4,000	28,505	21,100	178,605	169,700
Operating profit/loss	6,682	-832	1,705	-7,754	-1,206	-10,665
Operating margin (%)	15.1	Neg	2.9	Neg	Neg	Neg
Gross margin (%)	40.7	46.5	40.0	42.2	35.7	43.2
Profit/loss for the period	5,193	-763	1,329	-7,803	-1,391	-10,523
Earnings per share (SEK)	0.01	0.00	0.00	-0.01	0.00	-0.02
Cash flow	1,105	-1,369	7,514	-4,162	28,187	19,747

Sensys Traffic is a leading supplier of system solutions for traffic safety within the ATC area (automatic trafficsafety control). Sensys develops, markets and sells systems that are mainly used to monitor and register speed limit violations and driving through red lights. Sensys Traffic also provides service and maintenance alongside sales of systems. Sensys Traffic's end customers primarily comprise police and road authorities all round the world, but also private operators. Sales occur directly, or via partners, agents and distributors. Sensys Traffic, with head offices in Jönköping, is listed on the Small Cap list of the NASDAQ OMX Stockholm exchange and has 41 employees. Sales in 2013 totalled SEK 62.5m.

For further information, visit [www.sensys.se](http://www.sensys.se)

## Significant events during the quarter

Sensys received an order worth SEK 9m from the Finnish Transport Agency for systems for monitoring pantographs on trains (APMS). The order, which is a follow-on order from a previous order received in 2010, is to be delivered evenly over 2014 and 2015.

Ongoing order intake regarding maintenance in Sweden amounted to SEK 4.3m. The current incoming order flow for maintenance in Sweden was 4.3 MSEK, which is considered to be a normal level for Swedish maintenance.

Sensys also obtained an order worth SEK 1m for testing systems from an emerging Asian market.

Start of serial deliveries and service operations comprising installation, commissioning and maintenance for the Swedish Transport Administration, with associated invoiced sales.

## Earnings

### April–June 2014

Order intake in the second quarter amounted to SEK 15.0m (4.0) and relates to orders for APMS from Finland, along with ongoing service orders from the Swedish Transport Administration. Net sales increased during the second quarter to SEK 44.2m (19.5) and chiefly comprised deliveries for the Swedish ATC project (SEK 31m).

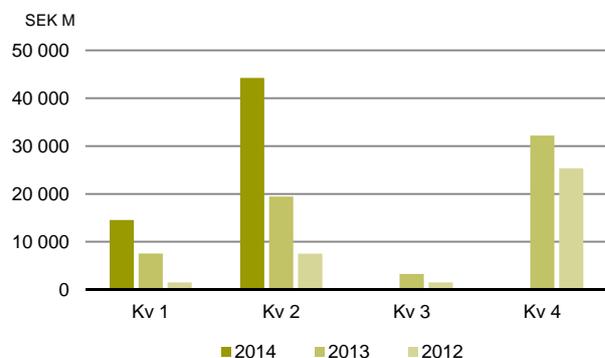
The gross margin for the quarter was 40.7 percent (46.5). The weaker gross margin was partly due to costs for the structuring of the maintenance organisation affecting the cost of goods sold during the quarter (SEK 0.6m), and partly owing to the fact that the proportion of service income attributable to customers in Sweden has risen. The latter is a result of the signed agreement with the Swedish Transport Administration regarding service and maintenance for ATC in Sweden. The latter is due to the contract with the Swedish Transport Administration for service and maintenance for ATK in Sweden, which has a greater gross margin than sales of products.

### January–June 2014

Net sales for H1 increased, amounting to SEK 58.8m (27.0), and relate mainly to deliveries to the Swedish Transport Administration and to customers in the Middle East.

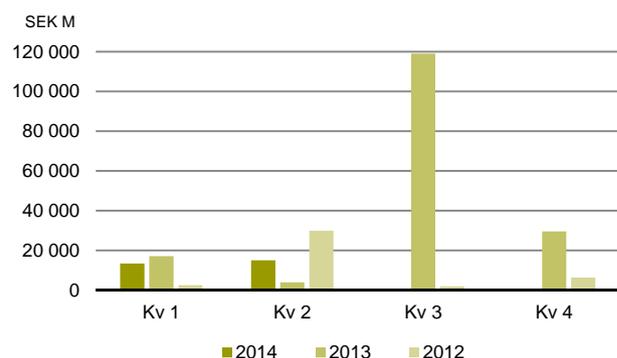
The gross margin for the period was 40.0 percent (42.2). The lower gross margin was down to two factors: costs of SEK 1.1m relating to the structuring of the maintenance organisation in Sweden affected the cost of goods sold during the period, and the proportion of service income attributable to customers in Sweden increased. However, since May, Sensys' Swedish maintenance organisation has been generating earnings and a positive cash flow.

### Net sales by quarter



Net sales in the second quarter relate mainly to deliveries for the Swedish ATC project

### Order intake by quarter



## Earnings

### April–June 2014

Overhead costs increased to SEK 11.3m (9.9), which is partly due to broader marketing efforts and higher staffing levels. Of the increased overheads, SEK 0.7m is deemed to be of a non-recurring nature, i.e. SEK 0.7m is a steady increase in overheads.

Operating profit for the quarter amounted to SEK 6.7m (-0.8) and profit after tax to SEK 5.2m (-0.8).

### January–June 2014

Operating profit for the period amounted to SEK 1.7m (-7.8) and profit after tax to SEK 1.3m (-7.8).

All costs for non order-specific development work are charged to profit/loss as incurred.

Of the inventory attributable to the cancelled Saudi contract, which originally amounted to SEK 64m, a book value of SEK 0m (6) remains at 30 June.

## Financial position

At the end of the period, equity totalled SEK 115.3m (114.0), which gave an equity/assets ratio of 72.7 percent (78.8).

### Cash flow

Cash flow from operating activities totalled SEK 7.5m (19.7) for H1 and SEK 1.1m (-1.4) for the second quarter.

At the end of the period, cash and cash equivalents amounted to SEK 54.5m (49.2), of which SEK 0.3m (0.6) was in short-term investments. In addition, the company has SEK 10m (10) in a blocked bank deposit of 21 months as a performance bond regarding the contract with the Swedish Transport Administration.

### Cash flow



### Investments

Investments in H1 totalled SEK 2.2m (0), of which SEK 0.6m during the second quarter.

### Sensys shares

At the end of the period, the number of shares totalled 541,234,314 (541,234,314).

The average number of shares in the period was 541,234,314 (479,837,886).

## Employees

The average number of employees was 39 persons (32), and the number of employees at the end of the period was 41 (32).

## Risks and uncertainties

The Company's significant risk and uncertainty factors include business risks related to customers, suppliers and general global conditions. There are also financial risks associated with fluctuations in exchange rates and interest levels.

A summary of the Company's significant financial and business risks is set out on pages 12, 26 and 33 of the Annual Report for 2013. No additional material risks are deemed to have arisen since then.

### Assurance of the Board of Directors

The Board of Directors and CEO give their assurance that this interim report provides an accurate overview of the company's operations, position and earnings, and describes significant risks and uncertainties to which the company is exposed.

Jönköping, 19 August 2014

Gunnar Jardelöw  
*Chairman*

Karin Ahl

Ingemar Skogö

Helena Nordman-Knutson

Torbjörn Sandberg

Claes Ödman

Johan Frilund  
*CEO*

This report has not been examined by the Company's auditor.

For further information, please contact:

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This information is such that Sensys Traffic AB (publ) is required to publish in accordance with the Securities Market Act and/or the Swedish Financial Instruments Act.

This information was submitted for publication at 1.50 p.m. on 19 August.

## Invitation to presentation for press and analysts

On 19 August at 2.30 p.m., CEO Johan Frilund will present the report and respond to questions in an audiocast. The presentation can be followed online via the link on Sensys' website: [www.sensys.se](http://www.sensys.se). You can also listen to the presentation and ask questions over the telephone, using the following numbers:

Sweden: 08 505 20 114

US: +1 334 323 6203

UK: +44 (0) 207 1620 177

Password: Sensys.

Please call 10 minutes prior to the specified time.

## Forthcoming financial reports

Interim Report July–September	29 October 2014
Year-end Report 2014	29 January 2015
Interim Report January–March 2015	22 April 2015
AGM 2014	22 April 2015

## Accounting policies

This interim report has been prepared in compliance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting policies applied are unchanged from the most recent annual report. As of the fourth quarter 2013, income related to the order from the Swedish Transport Administration is reported in accordance with the percentage completion method. The Company follows the Swedish Annual Accounts Act and Recommendation RFR 2 Reporting for Legal Entities of the Swedish Financial Reporting Board. The application of RFR 2 implies that in this interim report the Company applies all EU endorsed IFRS items and statements made as far as possible within the framework of the Swedish Annual Accounts Act, and taking into account the connection between reporting and taxation.

In July 2010, Sensys Traffic acquired all shares in a Swedish limited company [aktiebolag] that now has the name Sensys International AB. This company is completely dormant, and has been since it was formed. The objective of the acquisition was solely to fulfil conditions in an international procurement process. Sensys does not intend to carry out any business activity through Sensys International AB within the forthcoming year. In view of the fact that Sensys International AB is dormant, and has never carried out any business, no consolidated accounts have been prepared.

## Condensed income statement

SEK K	April–June 2014	April–June 2013	Jan–June 2014	Jan–June 2013	Full-year 2013
Net sales	44,249	19,463	58,795	27,013	62,467
Cost of goods sold	-26,232	-10,408	-35,268	-15,603	-35,477
<b>Gross profit</b>	<b>18,017</b>	<b>9,055</b>	<b>23,527</b>	<b>11,410</b>	<b>26,990</b>
Selling costs	-5,092	-4,580	-10,040	-8,890	-19,033
Administrative costs	-1,195	-1,338	-2,495	-2,655	-5,875
Development costs	-5,048	-3,969	-9,287	-7,619	-12,747
<b>Operating profit/loss</b>	<b>6,682</b>	<b>-832</b>	<b>1,705</b>	<b>-7,754</b>	<b>-10,665</b>
Net financial items	-24	69	-1	-49	142
<b>Profit/loss before tax</b>	<b>6,658</b>	<b>-763</b>	<b>1,704</b>	<b>-7,803</b>	<b>-10,523</b>
Tax	-1,465	0	-375	0	0
<b>Total comprehensive income/loss for the period</b>	<b>5,193</b>	<b>-763</b>	<b>1,329</b>	<b>-7,803</b>	<b>-10,523</b>
Number of shares	541,234	510,747	541,234	510,747	541,234
Earnings per share	0.01	0.00	0.00	-0.01	-0.02

## Cash flow from operations

SEK K	April–June 2014	April–June 2013	Jan–June 2014	Jan–June 2013	Full-year 2013
<b>Operating profit/loss</b>	<b>6,682</b>	<b>-832</b>	<b>1,705</b>	<b>-7,754</b>	<b>-10,523</b>
Items not affecting cash flow	228	33	419	73	151
Changes in working capital, incl. net financial items	-5,805	-570	5,390	3,519	30,119
<b>Cash flow from operating activities</b>	<b>1,105</b>	<b>-1,369</b>	<b>7,514</b>	<b>-4,162</b>	<b>19,747</b>
Investments in property, plant and equipment	-88	0	-1,652	0	0
Investments in intangible non-current assets	0	0	-550	-17	-21
Increase in non-current receivables	0	0	0	0	-10,000
New share issue, net after issue costs	0	8,967	0	8,967	27,041
<b>Changes in cash and bank balances</b>	<b>1,017</b>	<b>7,598</b>	<b>5,312</b>	<b>4,788</b>	<b>36,767</b>
Cash and cash equivalents at beginning of the period	53,518	9,646	49,223	12,456	12,456
Cash and cash equivalents at end of the period	54,535	17,244	54,535	17,244	49,223

## Condensed balance sheet

SEK K	30/06/2014	30/06/2013	31/12/2013
<b>Assets</b>			
Intangible non-current assets	459	139	92
Property, plant and equipment	1,462	71	45
Financial non-current assets <sup>1)</sup>	38,753	39,128	39,128
Non-current receivables <sup>2)</sup>	10,000	0	10,000
Trade receivables	37,148	34,057	27,889
Inventories	13,680	22,000	16,126
Other current assets	2,561	3,050	2,109
Cash and bank balances	54,535	17,244	49,223
<b>Total assets</b>	<b>158,598</b>	<b>115,689</b>	<b>144,612</b>
<b>Equity and liabilities</b>			
Equity	115,299	98,616	113,970
Trade payables	18,506	3,289	4,637
Other current interest-free liabilities	24,794	13,784	26,005
<b>Total equity and liabilities</b>	<b>158,598</b>	<b>115,689</b>	<b>144,612</b>

<sup>1)</sup> Tax recoverable SEK 38.7m (39.1)

<sup>2)</sup> Blocked bank deposit in 21-month as a performance bond regarding the contract with the Swedish Transport Administration.

## Changes in equity

SEK K	April–June 2014	April–June 2013	Jan–June 2014	Jan–June 2013	Full-year 2013
<b>At beginning of the period</b>	<b>110,106</b>	<b>90,412</b>	<b>113,970</b>	<b>97,452</b>	<b>97,452</b>
New share issue	0	8,967	0	8,967	27,041
Total comprehensive income/loss for the period	5,193	-763	1,329	-7,803	-10,523
<b>At end of the period</b>	<b>115,299</b>	<b>98,616</b>	<b>115,299</b>	<b>98,616</b>	<b>113,970</b>

## Income statement, quarterly data

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	44,249	14,545	32,192	3,262	19,463	7,815	25,310	1,522
Cost of goods sold	-26,232	-9,036	-17,296	-2,578	-10,408	-5,195	-12,669	-1,975
<b>Gross profit</b>	<b>18,017</b>	<b>5,509</b>	<b>14,896</b>	<b>684</b>	<b>9,055</b>	<b>2,620</b>	<b>12,641</b>	<b>-453</b>
Overhead costs	-11,335	-10,486	-11,177	-7,314	-9,887	-9,543	-10,842	-8,163
<b>Operating profit/loss</b>	<b>6,682</b>	<b>-4,977</b>	<b>3,719</b>	<b>-6,630</b>	<b>-832</b>	<b>-6,923</b>	<b>1,799</b>	<b>-8,616</b>
Net financial items	-24	23	228	-37	69	-117	386	-318
<b>Profit/loss before tax</b>	<b>6,658</b>	<b>-4,954</b>	<b>3,947</b>	<b>-6,667</b>	<b>-763</b>	<b>-7,040</b>	<b>2,185</b>	<b>-8,934</b>
Tax	-1,465	0	0	0	0	0	-7,620	0
<b>Profit/loss for the period/ Total comprehensive income/loss for the period</b>	<b>5,193</b>	<b>-4,954</b>	<b>3,947</b>	<b>-6,667</b>	<b>-763</b>	<b>-7,040</b>	<b>-5,435</b>	<b>-8,934</b>

## Key figures and other information

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Earnings per share, SEK <sup>1) 2)</sup>	0.01	-0.01	0.01	-0.01	0.00	-0.01	-0.01	-0.02
Equity per share, SEK <sup>1) 2)</sup>	0.21	0.20	0.21	0.18	0.19	0.19	0.20	0.21
Cash flow per share, SEK	0.00	0.01	0.03	0.01	0.00	-0.01	-0.02	-0.01
Gross margin, %	40.7	37.9	46.3	20.9	46.5	33.5	49.9	Neg
Operating margin, %	15.1	Neg	11.6	Neg	Neg	Neg	7.0	Neg
Equity/assets ratio, %	72.7	79.4	78.8	83.7	85.2	87.4	89.3	88.3
Order intake, SEK K	15,050	13,454	29,600	119,000	4,000	17,100	6,400	2,000

<sup>1)</sup> Refers to profit/loss and equity before and after dilution.

<sup>2)</sup> Sensys does not have any outstanding incentive programmes that entail a dilution effect.

For definitions of key figures, please refer to the annual report for 2013, which is available on the company's website [www.sensys.se](http://www.sensys.se)