

# Sensys Traffic AB (publ)

## Year-End Report 2014

### OCTOBER–DECEMBER 2014

- Net sales for the quarter amounted to SEK 58.7m, compared with SEK 32.2m in the same period last year
- Order intake totalled SEK 114.5m (29.6)
- Operating income amounted to SEK 20.5m (3.7), corresponding to an operating margin of 34.8 percent (11.6)
- Profit after tax for the quarter was SEK 16.3m (3.9)
- Earnings per share before and after dilution amounted to SEK 0.03 (0.01)
- Cash flow from operating activities totalled SEK 17.4m (15.0)

### JANUARY–DECEMBER 2014

- Net sales amounted to SEK 160.6m, compared with SEK 62.5m in the same period last year
- Order intake totalled SEK 166.2m (169.7)
- Operating income amounted to SEK 34.6m (-10.7), corresponding to an operating margin of 21.5 percent (Neg)
- Profit/loss after tax for the period was SEK 27.3m (-10.5)
- Earnings per share before and after dilution amounted to SEK 0.05 (-0.02)
- Cash flow from operating activities totalled SEK 33.5m (19.7)

### CEO COMMENTARY: YEAR ENDS ON EXTREMELY STRONG NOTE

The fourth quarter was a robust one in terms of both sales and profit. In sales terms it was Sensys Traffic's best quarter since 2008. The company is therefore stronger and better positioned than it has ever been. The quarter showed high net sales, a solid operating profit, a strong cash flow and a healthy order intake. Sales, which amounted to SEK 58.7m, continued to increase in the fourth quarter compared with the year-earlier period and also rose compared with the strong level of sales in the third quarter of 2014. Growth was fuelled by continued deliveries to the Swedish Transport Administration, as well as new orders to customers in the Middle East. Operating income for the quarter amounted to SEK 20.5m, compared with SEK 3.7m in the same period last year, which corresponded to an operating margin of 34.8 percent. The gross margin strengthened to 59.5 percent, which is a significant improvement on 46.3 percent for the same period in 2013. The gross margin also saw a sequential improvement compared with Q3 2014, when it amounted to 48.5 percent.

Deliveries to the Swedish Transport Administration continued in the fourth quarter with replacements and new installations in the Swedish road network. During the quarter, Sensys won an order worth SEK 93m for continued replacements and new installations in 2015. After the end of the quarter an order worth SEK 2m was received for additional installation material for the new installations. In this contract, Sensys has shown strong project implementation expertise and is an end-to-end supplier to the Swedish Transport Administration of measurement systems, measurement cabinets and servicing of the Swedish ATC system. Sensys has supplied cabinets, systems and servicing for a total value of SEK 136m since the two contracts with the Swedish Transport Administration were signed in July 2013.

At the end of the fourth quarter, an order worth SEK 17.0m was received from Sensys' second largest market, the Middle East, where the company now has customers in 8 of the region's 14 countries.

After the end of the quarter, an additional order from the Middle East was received, at a value of SEK 5m. The market in the Middle East has a combined population of approximately 350 million. These countries have high road fatality rates and to improve the situation, major investments to develop infrastructure and safety are currently underway, primarily in the rapidly growing cities. The investments mean the market for traffic safety systems is experiencing healthy growth, making it strategically significant for Sensys. In light of this development, Sensys has decided to establish a local presence in the Middle East during 2015, in order to better meet demand from both existing and new customers. The main aim of having a local presence is to take advantage of the healthy market growth that the region has to offer. The local companies will enable us to market our products more effectively to both existing and new customers, thus increasing opportunities for add-on and new sales.

Our objective is to continue to outpace the market in terms of growth. Competitive products, an established delivery and service organisation, effective customer relationships, strong reference projects and in particular, a stable financial position, all combine to give Sensys excellent opportunities for continued organic growth. The regional markets are fragmented, with high entry barriers, which is why we are also continuing to examine opportunities to grow via acquisitions.

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	Oct–Dec 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Net sales	58,743	32,192	160,580	62,467
Order intake	114,502	29,600	166,243	169,700
Operating profit/loss	20,470	3,719	34,553	-10,656
Operating margin (%)	34.8	11.6	21.5	Neg
Gross margin (%)	59.5	46.3	49.4	43.2
Profit/loss for the period	16,265	3,947	27,294	-10,523
Earnings per share (SEK)	0.03	0.01	0.05	-0.02
Cash flow	17,400	15,000	33,514	19,747

Sensys Traffic is a leading supplier of system solutions for traffic safety within the ATC area (automatic traffic safety control). Sensys develops, markets and sells systems that are mainly used to monitor and register speed limit violations and for red-light enforcement. In addition to sales of systems, Sensys Traffic also provides service and maintenance. Sensys Traffic's end customers are primarily police and road authorities all round the world, but also include private operators. Sales are conducted either directly or via partners, agents and distributors. Sensys Traffic is headquartered in Jönköping, Sweden, is listed on NASDAQ OMX Stockholm, has 41 employees and turnover for 2014 was SEK 160.5 million.

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

## Significant events during the quarter

Sensys won an order from the Swedish Transport Administration worth SEK 93m regarding additional ATC systems for the Swedish road network. The order, which is a follow-on order on the contract that was signed in 2013, is to be delivered in its entirety during 2015.

International order won from Middle East worth SEK 17 million.

## Earnings

### October–December 2014

Net sales increased during the fourth quarter to SEK 58.7m (32.2) and chiefly comprised deliveries for the Swedish ATC project (SEK 40.3m).

The gross margin for the quarter was 59.5 percent (46.3). During the quarter the gross margin has been affected positively in the amount of SEK 4.6m through the sale of the previously fully impaired inventory from the Saudi project.

### January–December 2014

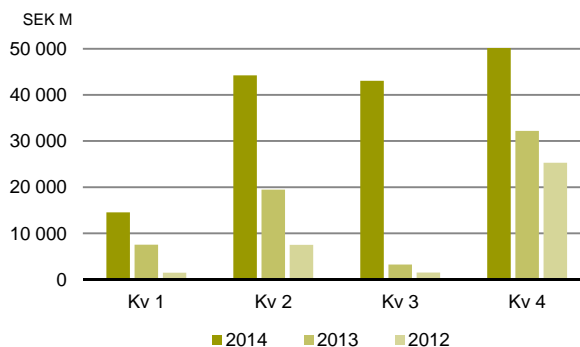
Net sales for the period more than doubled, amounting to SEK 160.6m (62.5), and relate mainly to deliveries to the Swedish Transport Administration and to customers in the Middle East.

During the year, earnings have been boosted by SEK 10.3m as an effect of the gradual revenue recognition that has been applied since 2013 for the contract with the Swedish Transport Administration. This means that earnings have been recognised as the costs of the project are incurred.

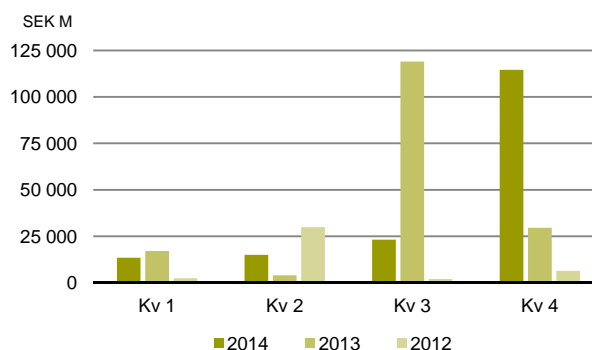
The gross margin for the period was 49.4 percent (43.2). Aside from the normal sale of goods, the gross margin has been affected both negatively and positively: negatively as costs of SEK 1.1m for the establishment of the maintenance organisation in Sweden have impacted on the cost of goods sold during the period, and positively in the amount of SEK 9.5m through the sale of the previously fully impaired inventory in Saudi Arabia.

Since May, Sensys' Swedish maintenance organisation has been generating earnings and a positive cash flow.

### Net sales by quarter



### Order intake by quarter



## Earnings

### October–December 2014

Overhead costs totalled SEK 14.5m (11.2). The lower overheads for 2013 are due to the percentage completion method that the company applies for the contract with the Swedish Transport Administration. This means that development costs for ATC Sweden had a negative impact on the gross margin.

Operating income amounted to SEK 20.5m and profit after tax to SEK 16.3m (3.9).

### January–December 2014

Operating income for the period amounted to SEK 34.6m (-10.7) and profit/loss after tax to SEK 27.3m (-10.5).

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 (3) remains at 31 December.

## Dividend

At the AGM, the Board of Directors will propose that no dividend be paid for 2014.

## Financial position

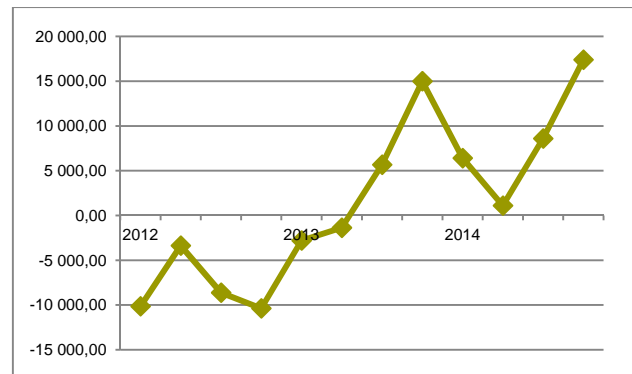
At the end of the period, equity totalled SEK 141.3m (114.0), which gave an equity/assets ratio of 79.3 percent (78.8).

### Cash flow

Cash flow from operating activities totalled SEK 33.5m (19.7) for the period and SEK 17.4m (15.0) for the fourth quarter.

At the end of the period, cash and cash equivalents amounted to SEK 80.5m (49.2), of which SEK 0m (0.6) was in short-term investments. In addition, the company has SEK 10m (10) in a blocked bank deposit of 15 months as a performance bond regarding the contract with the Swedish Transport Administration.

### Cash flow by quarter



### Investments

Investments in the period totalled SEK 2.2m (0), of which SEK 0.0m were made during the fourth 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 (505,680,411).

## Workforce

The average number of employees was 40 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.

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

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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 8.30 a.m. on 29 January, 2015.

## Significant events after the end of the reporting period

From the end of 2014 up until the date of publication of this report, no significant events have occurred and no information on circumstances, whether favourable or unfavourable, has required additional disclosures, other than what has been stated above.

## Invitation to presentation for press and analysts

On 29 January at 9.30 a.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: +46 (0)8 505 20 110

US: +1 334 323 6201

UK: +44 (0) 207 1620 077

Password: Sensys.

Please call 10 minutes prior to the specified time.

## Forthcoming financial reports

Interim Report, January–March 2015	22 April 2015
Annual General Meeting, 2014	22 April 2015
Half-year Report, 2015	27 August 2015
Interim Report, Jan–Sept 2015	22 October 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	Oct–Dec 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Net sales	58,743	32,192	160,580	62,467
Cost of goods sold	-23,797	-17,296	-81,242	-35,477
<b>Gross profit</b>	<b>34,946</b>	<b>14,896</b>	<b>79,338</b>	<b>26,990</b>
Selling costs	-6,255	-5,272	-20,524	-19,025
Administrative costs	-2,887	-1,744	-6,224	-5,875
Development costs	-5,173	-4,161	-17,847	-12,746
Other operating costs/income	-161	0	-190	0
<b>Operating profit/loss</b>	<b>20,470</b>	<b>3,719</b>	<b>34,553</b>	<b>-10,656</b>
Net financial items	461	228	517	133
<b>Profit/loss before tax</b>	<b>20,931</b>	<b>3,947</b>	<b>35,070</b>	<b>-10,523</b>
Tax	-4,666	0	-7,776	0
<b>Total comprehensive income/loss for the period</b>	<b>16,265</b>	<b>3,947</b>	<b>27,294</b>	<b>-10,523</b>
Number of shares	541,234	541,234	541,234	541,234
Earnings per share	0.03	0.01	0.05	-0.02

## Cash flow from operations

SEK K	Oct–Dec 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
<b>Operating profit/loss</b>	<b>20,470</b>	<b>3,719</b>	<b>34,553</b>	<b>-10,656</b>
Items not affecting cash flow	189	39	866	151
Changes in working capital, incl. net financial items	-3,259	11,242	-1,905	30,252
<b>Cash flow from operating activities</b>	<b>17,400</b>	<b>15,000</b>	<b>33,514</b>	<b>19,747</b>
Investments in property, plant and equipment	0	0	-1,674	0
Investments in intangible non-current assets	0	0	-550	-21
Increase in non-current receivables	0	-10,000	0	-10,000
New share issue, net after issue costs	0	18,074	0	27,041
<b>Changes in cash and bank balances</b>	<b>17,400</b>	<b>23,074</b>	<b>31,290</b>	<b>36,767</b>
Cash and cash equivalents at beginning of the period	63,113	26,149	49,223	12,456
Cash and cash equivalents at end of the period	80,513	49,223	80,513	49,223

## Condensed balance sheet

SEK K	31/12/2014	31/12/2013
<b>Assets</b>		
Intangible non-current assets	275	92
Property, plant and equipment	1,221	45
Financial non-current assets <sup>1)</sup>	31,385	39,128
Non-current receivables <sup>2)</sup>	10,000	10,000
Trade receivables	34,357	27,889
Inventories	17,903	16,126
Other current assets	2,467	2,109
Cash and bank balances	80,513	49,223
<b>Total assets</b>	<b>178,121</b>	<b>144,612</b>
<b>Equity and liabilities</b>		
Equity	141,264	113,970
Trade payables	11,207	4,637
Other current interest-free liabilities	25,650	26,005
<b>Total equity and liabilities</b>	<b>178,121</b>	<b>144,612</b>

<sup>1)</sup> Tax recoverable SEK 31.3m (39.1)

<sup>2)</sup> Blocked bank deposit up until March 2016 as a performance bond regarding the Swedish Transport Administration.

## Changes in equity

SEK K	Oct–Dec 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
<b>At beginning of the period</b>	<b>124,999</b>	<b>91,949</b>	<b>113,970</b>	<b>97,452</b>
New share issue, net after issue costs	0	18,074	0	27,041
Total comprehensive income/loss for the period	16,265	3,947	27,294	-10,523
<b>At end of the period</b>	<b>141,264</b>	<b>113,970</b>	<b>141,264</b>	<b>113,970</b>



## Income statement, quarterly data

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	58,743	43,043	44,249	14,545	32,192	3,262	19,463	7,551
Cost of goods sold	-23,797	-22,160	-26,232	-9,036	-17,296	-2,578	-10,408	-5,195
<b>Gross profit</b>	<b>34,946</b>	<b>20,882</b>	<b>18,017</b>	<b>5,509</b>	<b>14,896</b>	<b>684</b>	<b>9,055</b>	<b>2,356</b>
Overhead costs	-14,476	-8,425	-11,335	-10,486	-11,177	-7,314	-9,887	-9,279
<b>Operating profit/loss</b>	<b>20,470</b>	<b>12,457</b>	<b>6,682</b>	<b>-4,977</b>	<b>3,719</b>	<b>-6,630</b>	<b>-832</b>	<b>-6,923</b>
Net financial items	461	-22	-24	23	228	-37	69	-117
<b>Profit/loss before tax</b>	<b>20,931</b>	<b>12,435</b>	<b>6,658</b>	<b>-4,954</b>	<b>3,947</b>	<b>-6,667</b>	<b>-763</b>	<b>-7,040</b>
Tax	-4,666	-2,735	-1,465	0	0	0	0	0
<b>Profit/loss for the period/ Total comprehensive income/loss for the period</b>	<b>16,265</b>	<b>9,700</b>	<b>5,193</b>	<b>-4,954</b>	<b>3,947</b>	<b>-6,667</b>	<b>-763</b>	<b>-7,040</b>

## Key figures and other information

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Earnings per share, SEK <sup>1)2)</sup>	0.03	0.02	0.01	-0.01	0.01	-0.01	0.00	-0.01
Equity per share, SEK <sup>1)2)</sup>	0.26	0.23	0.21	0.20	0.21	0.18	0.19	0.19
Cash flow per share, SEK	0.03	0.02	0.00	0.01	0.03	0.01	0.00	-0.01
Gross margin, %	59.5	48.5	40.7	37.9	46.3	20.9	46.5	33.5
Operating margin, %	34.8	28.9	15.1	Neg	11.6	Neg	Neg	Neg
Equity/assets ratio, %	79.3	74.6	72.7	79.4	78.8	83.7	85.2	87.4
Order intake, SEK K	114,502	23,237	15,050	13,454	29,600	119,000	4,000	17,100

<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)