

Sensys Gatso Group AB

Year-end report

Oct – Dec 2016

Sensys
Gatso
Group



October – December 2016

- Net sales MSEK 104.0 (178.7)
- Order intake MSEK 66.6 (186.4)
- Operating profit MSEK -4.6 (21.4)
- EBITDA MSEK 5.8 (37.7)
- The profit after tax MSEK -0.2 (19.9)
- Comprehensive income 3.7 MSEK (14.6)
- Earnings per share, before and after dilution, SEK 0.00 (0.03)
- Cash flow from operating activities amounted to MSEK 38.9 (9.8)

January – December 2016

- Net sales MSEK 436.6 (397.8)
- Order intake MSEK 199.9 (292.4)
- Operating profit MSEK -23.2 (48.7)
- EBITDA MSEK 25.3 (75.5)
- The profit after tax MSEK -24.4 (40.9)
- Comprehensive income MSEK -0.7 (29.4)
- Earnings per share, before and after dilution, SEK -0.04 (0.07)
- Cash flow from operating activities amounted to MSEK 88.4 (37.7)

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

COMMENTS FROM THE CEO

Looking back at Sensys Gatso's 2016, two main themes can be identified. On one hand, it has been a successful year of transformation for the group, where we streamlined the organization and increased the proportion of recurring revenues in line with our long-term strategy. On the other hand, it was also a year where unfavorable geopolitical developments worked against our progress and the market in general. The low oil price in combination with the outcome of the US presidential election has caused disturbances especially in the Middle East business. However, as pointed out already in the last quarter, things might turn around rapidly and we remain optimistic about our underlying performance and long-term prospects. It is evident that the demand for traffic safety is growing on a global basis, and we know that the value we can provide is fundamental.

Full year sales in our two business segments amounted to SEK 436.6 million with SEK 370.3 million for System Sales and SEK 66.3 million for Managed Services. In the fourth quarter, the net sales amounted SEK 104.0 million, with SEK 84.9 million for System Sales and SEK 19.0 million for Managed Services. EBITDA reached SEK 5.8 million (37.7) and operating profit came in at SEK -4.6 million (21.4).

Order intake during the quarter amounted to SEK 66.6 million (186.4), which is higher than the previous quarter (44.8) but lower than Q4 last year. Order intake between the quarters can be very volatile. In the quarter, we have received orders from Sweden worth SEK 28.0 million and from the UAE worth SEK 5.0 million, along with several smaller orders mainly in Europe. After the end of the year, we have also received two orders from Belgium worth SEK 18.6 million in total, covering traffic safety systems in Brussels and Flanders, as well as orders in Southern Europe to the amount of SEK 25.6 million.

We have been able to maintain a strong cash flow performance throughout the year – cash flow from operating activities amounted to SEK 88.4 million despite the costs of SEK 16.0 million relating to the transformation program for 2016. The cash flow from operations in the fourth quarter amounted to SEK 38.9 million. As an effect of this strong cash flow during 2016, we have been able to repay our loans to the amount of SEK 66.2 million and repay on our flexible credit facilities to the amount of SEK 42.7 million. We are now in the middle of the first quarter of 2017, in which we expect our transformation program to reach full effect in terms of cost savings of SEK 5 million per quarter compared to one year earlier for the operations in Sweden and the Netherlands, as well as reduction of net working capital.

In addition, we have considerably improved our available free cash position during the year, taking into account repayment of bank loans, credit facilities and also loan to shareholders relating to the acquisition of GATSO for a total amount of SEK 109.4 million. The closing available free cash amounts to of SEK 85.5 million in comparison to SEK 57.7 million at the end of last year.

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The short-term market outlook is volatile in the System Sales segment and might prove uncertain due to the global geopolitical changes. However, we will continue to focus on our strategy and will be ready to manage any business opportunities when they arise. The long-term trend, no matter the political direction, is in favor of sustainable solutions and services and with our extended scale Sensys Gatso Group will benefit from this movement.

Torbjörn Sandberg
CEO, Sensys Gatso Group

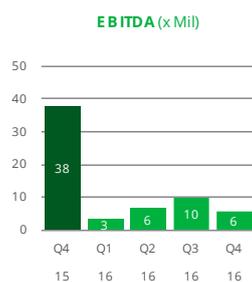
FINANCIAL SUMMARY

Key indicators (unadjusted)

SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Net sales	103,976	178,687	436,607	397,825
Order intake	66,564	186,434	199,858	292,408
Operating profit	-4,619	21,447	-23,241	48,703
Operating margin (%)	Neg	12.0	Neg	12.2
Gross margin (%)	41.3	37.0	33.6	41.7
Profit for the period	-239	19,873	-24,384	40,929
Earnings per share (SEK)	0.00	0.03	-0.04	0.07
Cash flow from operations	38,882	9,817	88,418	37,744

Numbers prior 1 August 2015 are for Sensys Traffic AB standalone.

EBITDA and Adj. EBITDA

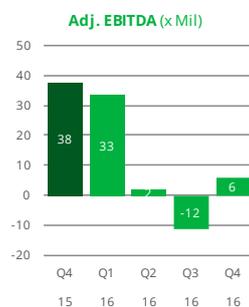


SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Operating profit	-4,619	21,447	-23,241	48,703
Depreciation tangible and intangible fixed assets	4,775	4,675	17,461	7,860
Amortization of acquired intangible assets ¹	5,641	11,564	31,127	19,088
EBITDA	5,797	37,686	25,347	75,651

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 effected the comparability of our interim financial statements.

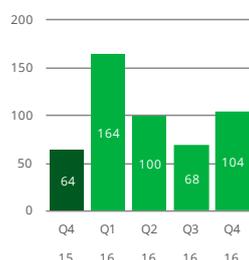


SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
EBITDA	5,797	37,686	25,347	75,651
Adjustments for:				
Effects transformation program	0	0	16,025	0
Contingent liability release	0	0	-11,926	0
Adj. EBITDA ¹	5,797	37,686	29,446	75,651

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

Financial results group

SALES (x Mil)



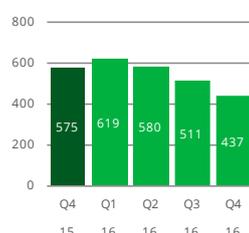
October - December 2016

Net sales in the fourth quarter, amounted to SEK 104.0 million (178.7) and consisted primarily of deliveries and services to customers in Sweden, Australia, United Kingdom, Switzerland and The Netherlands and recurring revenue in the USA. The segment System Sales contributed SEK 84.9 million, and Managed Services contributed SEK 19.0 million to the net sales of the fourth quarter.

The gross margin for the quarter was 41.3 per cent (37.0).

Order intake during the fourth quarter totalled SEK 66.6 million (186.4) and mainly relates to orders received from our customers in Sweden and UAE amongst other smaller orders.

PRO FORMA ROLING
SALES (x Mil)



Expenses totalled SEK 47.6 million (44.7) and includes amortisation on intangible fixed assets recognized as part of the acquisition of SEK 5.6 million (11.6). 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, has been subject to impairment tests with no need for adjustment in 2016.

The total expenses have been negatively influenced by a lower allocation of expenses to cost of goods sold due to outsourcing of our production. All costs for non order-specific development work are charged to profit/loss as incurred.

The operating profit for the fourth quarter totalled SEK -4.6 million (21.4) and the profit after taxation totalled SEK -0.2 million (19.9).

GROSS MARGIN (%)



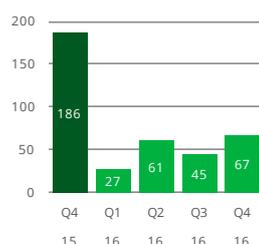
January - December 2016

Net sales in 2016, amounted to SEK 436.6 million (397.8). The segment System Sales contributed SEK 370.3 million, and Managed Services contributed SEK 66.3 million to the net sales of the period.

The gross margin for the period amounted to 33.6 per cent (41.7).

Order intake during the year totalled SEK 199.9 million (292.4) and relates mostly to orders from our customers in Sweden, Latvia, France and several smaller orders.

ORDER INTAKE (x Mil)



Expenses for the year totalled SEK 170.1 million (117.1) and includes amortisation on PPA of SEK 30.0 million (19.1).

The total expenses have been negatively influenced by the costs of the transformation program. The initial estimate of the costs of the transformation program amounted to SEK 30.0 million. We 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 due to lower contract termination expenses and costs for consultants and lawyers.

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

The operating profit for the year totalled SEK -23.2 million (48.7), and the profit after taxation totalled SEK -24.4 million (40.9).

Investments

During the year investments in fixed assets amounted to SEK 18.6 million, of which SEK 11.5 million were made in fixed assets in operations, reflecting our strategy to increase sales in the segment Managed Services. Investments in other fixed assets amounted to SEK 7.1 million relating mainly to investments in software development and our offices in Jönköping and Boston.

Financial position

The Group's equity at the end of the period totalled SEK 386.6 million (387.4), producing an equity/assets ratio of 63.5 per cent (50.3). Net debt amounted to SEK 191.0 million at the end of the quarter (306.9). The net debt position improved compared to the third quarter (218.1) mainly due to repayments to the bank to the amount of SEK 6.3 million and less usage of our credit facilities as part of net working capital to the amount of 32.3 million.

NET DEBT

KSEK	Dec 31, 2016
Short-term liabilities	100,816
Long-term liabilities	121,798
Cash and bank	-31,643
Net debt	190,971

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 (178). The number of employees at the end of the period was 169, whereof a part being part-time employees, to be compared with 202 at the end of 2015.

Business Segments

In 2016 Sensys Gatso 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.

System Sales

Systems Sales amounted to SEK 84.9 million in the fourth quarter and SEK 370.3 million for 2016.

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.

Managed Service

Managed Services sales amounted to SEK 19.0 million in the fourth quarter and SEK 66.3 million for 2016.

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. Sales have been stable throughout the year.

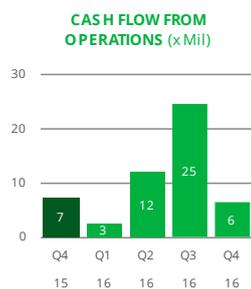
SEK thousands	Oct - Dec 2016			Jan - Dec 2016		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	85,914	19,194	105,108	372,265	66,569	438,834
Inter-segment transactions	-986	-146	-1,132	-1,938	-289	-2,227
Total Net Sales	84,928	19,048	103,976	370,327	66,280	436,607
EBITDA	3,115	2,682	5,797	13,329	12,018	25,347
Depreciation and amortization	-2,487	-7,929	-10,416	-18,841	-29,747	-48,588
Operating Profit	628	-5,247	-4,619	-5,512	-17,729	-23,241
Net financial items			-196			-6,724
Profit before tax			-4,815			-29,965
Tax			4,576			5,581
Profit for the period			-239			-24,384

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 of 2016 have had a positive impact on our annual revenue by 2.1%. The impact on result after taxation has been zero.

DIVIDEND

At the AGM, the Board of Directors will propose that no dividend will be paid for 2016.



CASH FLOW

Cash flow from operating activities totalled SEK 38.9 million during the fourth quarter (9.8) and 88.4 million for the period (37.7).

During the year investments in fixed assets amounted to SEK 18.6 million.

In 2016 payments of SEK 108.9 million have been made to repay loans to the banks to the amount of SEK 34.0 million, repay loans to shareholders to the amount of SEK 32.2 million and replenish the credit facilities to the amount of SEK 42.7 million.

Cash and cash equivalents at the end of the period totalled SEK 31.6 million (76.2).

At the year-end the total amount of credit facilities not taken up amounts to SEK 54.0 million, resulting in available cash to the amount of SEK 85.5 million.

OTHER INFORMATION

Significant events during the quarter

- The Group has received an order from the UAE worth SEK 5.0 million, The order covers systems for speed and red light enforcement and is planned to be delivered during the first half of 2017.
- The Group has received an order from our Swedish customer worth SEK 28.0 million, partially delivered in 2016 and estimated to be fully delivered in 2017.
- Sensys Gatso Group AB has announced a transfer of its business operations to the fully owned subsidiary Sensys Gatso Sweden AB.
- Repayment of bank loans amounted to SEK 6.3 million.

Significant events for the period January-December

- The group has received a total order intake to the amount of SEK 199.9 million consisting of announced larger orders and several smaller orders.
- Sensys Gatso Group AB has announced a transfer of its business operations to the fully owned subsidiary Sensys Gatso Sweden AB.
- The Group has finalized the negotiations with the unions according to the transformation plan in the third quarter of 2016 resulting in a total net cost of the transformation program of SEK 16.0 million in 2016. This is SEK 14.0 million lower than the initial estimated costs of SEK 30.0 million.
- The group invested SEK 11.5 million in fixed assets in operations.
- Repayment of bank loans amounted to SEK 34.4 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.
- 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 has been closed in the third quarter resulting in a finalized Purchase Price Allocation.

Significant events after the end of the reporting period

- The Group has received an order from its Belgium customer worth SEK 6.7 million, deliveries are planned to commence with one third of the contract value in the first half of 2017 and shall be finalized before the end of 2019.
- The Group has received a second order from its Belgium customer worth SEK 11.9 million, deliveries are planned to commence in 2017.
- The Group received an order from its Southern Europe customer worth SEK 25.6 million, for the supply of traffic safety systems and Xilium back office software. Deliveries are expected to commence during 2017 and continue into 2020.

Apart from this, from the end of December 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 not been the subject of a review by the Group's auditor.

For further information please contact:

Torbjörn Sandberg, CEO

+46 76 843 43 76

This is information that Sensys Gatso Group AB (publ) must publish to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act.

This information was submitted for publication on 23 February 2017 at 08:30.

GROUP FIGURES

Consolidated statement of comprehensive income

SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Net sales	103,976	178,687	436,607	397,825
Cost of goods sold	-61,022	-112,531	-289,722	-231,997
Gross profit	42,954	66,156	146,885	165,828
Selling expenses	-23,004	-29,956	-86,462	-62,622
Administrative expenses	-12,386	-8,493	-43,801	-27,110
Development expenses	-11,691	-8,728	-50,874	-25,515
Other operating expenses/income	-492	2,468	11,011	-1,878
Operating profit	-4,619	21,447	-23,241	48,703
Net financial items	-196	-1,526	-6,724	-1,422
Profit before tax	-4,815	19,921	-29,965	47,281
Tax	4,576	-48	5,581	-6,352
Profit for the period	-239	19,873	-24,384	40,929
Profit is attributable to:				
Owners of Sensys Gatso Group AB	452	20,349	-21,971	41,405
Non- controlling interest	-691	-476	-2,413	-476
	-239	19,873	-24,384	40,929
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Translation differences	3,921	-5,291	23,655	-11,532
Total other comprehensive income for the period, net after tax	3,921	-5,291	23,655	-11,532
Comprehensive income for the period	3,682	14,582	-729	29,397
Number of shares (thousands)	657,155	657,155	657,155	657,155
Earnings per share (SEK)	0.00	0.03	-0.04	0.07

1) Including SEK 11.9 million release of the contingent liability in the third quarter 2016

Consolidated balance sheet

SEK thousands	31 Dec 2016	Adj. 31 Dec 2015 ¹⁾	31 Dec 2015
Assets			
Goodwill	239,302	226,340	237,203
Customer contracts and relations	53,248	71,417	92,821
Brand	18,423	19,393	19,393
Intangible non-current assets	43,578	48,131	48,131
Property, plant and equipment	8,847	5,999	5,999
Fixed assets in operations	34,117	32,420	32,420
Financial non-current assets	51,747	53,200	26,070
Long-term trade and other receivables	373	376	376
Trade and other receivables	62,821	132,501	132,501
Inventories	46,506	75,434	75,434
Other current assets	18,632	29,020	29,020
Cash and bank balances	31,643	76,189	76,189
Total assets	609,237	770,420	775,557
Shareholders' equity and liabilities			
Shareholders' equity	386,623	387,352	387,352
Long-term liabilities	434	18,750	18,750
Long-term liabilities towards shareholders	79,839	76,746	76,746
Provision ²⁾	9,467	14,116	7,577
Deferred tax liabilities	32,058	39,156	44,293
Short-term liabilities	18,901	78,034	78,034
Short-term liabilities towards shareholders	0	41,135	41,135
Trade and other payables	21,077	56,401	56,401
Other current interest-free liabilities	60,838	58,730	65,269
Total shareholders' equity and liabilities	609,237	770,420	775,557

1) The balance sheet has been adjusted for remeasurement of the PPA disclosed in the notes on page 17 of this report.

2) The provisions comprise the long-term and short-term part of the warranty provision

Consolidated statement of changes in equity

SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Beginning of period	382,941	364,815	387,352	149,219
New share issue, net	0	0	0	208,727
Net profit for the period	452	19,873	-21,971	41,405
Minority interest in subsidiaries	-691	7,955	-2,413	-476
Other comprehensive income	3,921	-5,291	23,655	-11,523
Total comprehensive income for the period	3,682	22,537	-729	29,406
End of period	386,623	387,352	386,623	387,352

Cash flow statement

SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Operating profit	-4,619	21,447	-23,241	48,703
Items with no effect on cash flow	5,357	17,183	28,971	31,299
Financial items	-91	-1,422	3,863	-1,422
Tax paid	1,344	-4,822	-7,861	-4,822
Funds contributing from operating activities	1,991	32,386	1,732	73,758
Change in working capital	36,890	-22,569	86,686	-36,014
Cash flow from operating activities	38,882	9,817	88,418	37,744
Cash flow from investing activities	-2,873	-14,466	-18,612	-79,552
	36,009	-4,649	69,806	-41,808
Financing activities				
New loan		0	493	50,000
Repayment of loan	-6,321	-6,250	-34,444	-6,250
Repayments of credit facilities	-32,393	0	-42,743	0
Repayment of loan to shareholders	0	0	-32,242	-3,825
Change in cash and bank balances	-2,705	-10,899	-39,130	-1,883
Liquid funds at the beginning of the period	36,791	89,529	76,189	80,513
Translation differences in liquid funds	-2,443	-2,441	-5,416	-2,441
Closing cash and cash equivalents	31,643	76,189	31,643	76,189

PARENT COMPANY FIGURES

Statement of comprehensive income

SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Net sales	41,350	31,217	108,972	187,560
Other sales	3,820	2,724	9,777	2,724
Cost of goods sold	-20,954	-17,288	-69,376	-96,077
Gross profit	24,216	16,653	49,373	94,207
Selling expenses	-4,412	-8,560	-15,929	-27,057
Administrative expenses	-9,161	-6,880	-29,159	-12,624
Development expenses	-3,634	-4,678	-14,844	-16,445
Other operating expenses/income	-392	-426	-437	-1,897
Operating profit	6,617	-3,891	-10,996	36,184
Net financial items	-1,437	1,992	-6,211	2,359
Profit before tax	5,180	-1,899	-17,207	38,543
Tax	-866	2,549	-866	-6,348
Profit for the period/Comprehensive income for the period	4,314	650	-18,073	32,195

Balance sheet

SEK thousands	31 Dec 2016	31 Dec 2015
Intangible non-current assets	0	0
Property, plant and equipment	2,961	1,710
Financial non-current assets ¹⁾	24,088	24,954
Shares in subsidiaries	383,952	395,911
Non-Current receivables	209	2,500
Trade and other receivables	32,866	46,585
Receivables from Group	7,083	2,725
Inventories	14,022	21,187
Other current assets	3,886	3,552
Cash and bank balances	27,840	70,724
Total assets	496,907	569,848
Shareholders' equity and liabilities		
Shareholders' equity	364,113	382,186
Long-term liabilities	0	18,750
Long-term liabilities towards related parties	60,705	58,466
Provision	4,314	7,144
Short-term liabilities	18,750	25,000
Short-term liabilities towards related parties	0	36,560
Trade and other payables	12,915	14,207
Trade from Group	3,353	865
Other current interest-free liabilities	32,757	26,670
Total shareholders' equity and liabilities	496,907	569,848

Change in shareholders' equity

SEK thousands	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Beginning of period	359,799	381,536	382,186	141,264
New share issue, net	0	0	0	208,726
Profit for the period/Comprehensive income for the period	4,314	650	-18,073	32,196
End of period	364,113	382,186	364,113	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 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.

In the third quarter of 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.

Comparative figures

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

Volatility

The Group's revenue is effected 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 effected 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 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	
	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	103,976	68,447	100,041	164,143	178,687	100,335
Cost of goods sold	-61,022	-43,818	-63,546	-121,336	-112,531	-59,624
Gross profit	42,954	24,629	36,495	42,807	66,156	40,711
Costs	-47,573	-25,998	-39,364	-57,191	-44,709	-48,102
Operating profit	-4,619	-1,369	-2,869	-14,384	21,447	-7,391
Net financial items	-196	-1,789	-3,105	-1,634	-1526	201
Res Profit before tax	-4,815	-3,158	-5,974	-16,018	19,921	-7,190
Tax	4,576	-132	5,029	-3,892	-48	1,297
Profit for the period	-239	-3,290	-945	-19,910	19,873	-5,893

Key indicators and other information, quarterly data

	2016				2015	
	Q4	Q3	Q2	Q1	Q4	Q3
Operating margin (%) ¹⁾	Neg	Neg	Neg	Neg	12.00	neg
Gross margin (%) ²⁾	41.31	35.98	36.48	26.08	37.02	40.50
Profit margin (%) ³⁾	Neg	Neg	Neg	Neg	11.10	Neg
Equity per share (SEK) ⁴⁾	0.59	0.58	0.56	0.56	0.59	0.55
Cash flow per share (SEK) ⁶⁾	0.06	0.04	0.01	0.01	0.01	-0.05
Number of employees ⁷⁾	169	171	205	209	202	202
No. Of outstanding shares (thousands)	657,155	657,155	657,155	657,155	657,155	657,155
Equity/assets ratio (%)	63.46	60.04	53.28	49.04	50.28	47.39
Order intake (SEK thousands)	66,564	44,828	61,411	27,055	186,434	39,749

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.

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 third 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

As reported in our Q3 report of 2016, 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 Sensys Gatso has reassessed the assets and liabilities concerning the recognized PPA as at July 31, 2016.

During the remeasurement period we have gained more insight into our assets and liabilities. At initial recognition we identified a deferred tax assets for tax losses that could be utilized with future profits, but we had not recorded this deferred tax asset due to uncertainties as a result of change in ownership tax regulations. During the 12 months period we have investigated the impact of the change in ownership. This resulted in a approximately SEK 66.5 million of fiscal net operating losses that can be utilized with future profits. We have recorded a deferred tax asset against current tax rates for the amount of SEK 28.1 Million. In addition we have 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.

FINANCIAL INFORMATION

Invitation to a presentation for press and analysts

On 23 February 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/68274778>

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: [68274778](#) or "Sensys" to register.

Please call ten minutes before the time specified.

Financial calendar

Future reporting dates

Interim report Jan – March, 2017	17 May 2017
Annual General Meeting, 2016	18 May 2017
Interim report April – June, 2017	31 Aug 2017
Interim report July – September 2017	23 Nov 2017

Sensys Gatso Group AB

Office address Vasavägen 3c,
SE-554 54 Jönköping
Postal address Box 2174,
SE-550 02 Jönköping
Sweden

T +46 36 34 29 80
F +46 36 12 56 99

info@sensysgatso.com
www.sensysgatso.com

Registered No 556215-4459
VAT NO SE556215445901
Registered Office Jönköping

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 and has 169 employees.

For further information, visit www.sensysgatso.com