

# Sensys Gatso Group AB

## Half year Report

### January - June 2018

Sensys  
Gatso  
Group



#### April – June 2018

- Net sales MSEK 88.6 (68.2)
- Order intake MSEK 182.9 (64.6)
- Operating profit MSEK -0.6 (-14.6)
- EBITDA MSEK 8.6 (-4.7)
- The profit after tax MSEK -1.3 (-15.9)
- Total Comprehensive income MSEK 7.9 (-20.3)
- Earnings per share, before and after dilution, SEK 0.00 (-0.02)
- Cash flow from operating activities amounted to MSEK -4.9 (-13.2)

#### January – June 2018

- Net sales MSEK 160.2 (138.9)
- Order intake MSEK 235.7 (133.2)
- Operating profit MSEK -15.5 (-31.9)
- EBITDA MSEK 2.6 (-12.3)
- The profit after tax MSEK -14.4 (-32.3)
- Total Comprehensive income MSEK 6.2 (-36.7)
- Earnings per share, before and after dilution, SEK -0.01 (-0.05)
- Cash flow from operating activities amounted to MSEK -1.4 (-21.8)

## COMMENTS FROM THE CEO

### **Sales picking up**

After an anticipated slow sales start of the year, due to lower order intake levels in the second and third quarter of 2017, we are now seeing our topline picking up. The sales in the quarter were up by 30% and year-to-date June sales were up by 15% compared to the same periods last year. The sales growth in the quarter is seen both in System Sales as well as Managed Services. It is also positive that growth is now coming from various regions. The USA, Middle East and Eastern Europe are performing well. Especially noteworthy is that our US business is recovering this quarter with increased sales opportunities emerging and intensified focus on collections overdue. After the Supreme Court decision in May to allow Automated Traffic Enforcement on the interstate roads in Iowa, our cameras have been activated again. The reactivation of these cameras will start to have an impact on our sales numbers in the second half of the year.

### **Good base for future sales**

The total order intake for the quarter amounted to SEK 183 million. This is nearly 3 times higher than the same quarter last year but also the highest order intake value in the past two and a half years. It is good to note that this order intake is coming from customers in various regions like Europe, USA and Australia. On top of the high order intake we have received a procurement award from Belgium with a total potential order intake value of SEK 27 million, of which a purchase order of approximately SEK 5 million has been received. In the first half of 2018 we now have secured a total order intake of SEK 236 million. Together with the remaining SEK 144 million of Procurement Awards received as of Q4 2017, we have established a good base for our future sales.

### **Cost base stabilized**

We are operating in competitive often tender driven markets, with a partly volatile business model. Our expenses have now stabilized at around SEK 40 million. To sustain our profitability, it is imperative that we keep a tight control of our cost base as we continue to grow our sales efforts. We keep evaluating the possibilities to make our cost base more flexible to better support our volatile business model.

### **Available cash**

Our available cash at the end of the quarter was SEK 117 million, consisting of SEK 64 million in cash and SEK 53 million in available credit facilities. The second quarter resulted in a negative operating cash flow of SEK 5 million mainly caused by received prepayments on sales in previous quarters.

### **Outlook**

The strong order intake that started in Q4 2017, continues to grow in the first half of 2018. After the quarter we secured approximately SEK 66 million order intake mainly from Australia together with a Procurement Award amounting up to SEK 70 million. A balanced distribution of our sales and order intake across various regions, is a good indication of improved market conditions globally. It also reduces our dependencies on single markets. With an improving topline and tight cost control we expect a gradual improvement of our profitability.

**Ivo Mönnink**  
**CEO, Sensys Gatso Group**

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## FINANCIAL SUMMARY

### Key indicators (unadjusted)

	Apr - June 2018	Apr - June 2017	Jan - June 2018	Jan - June 2017	Jan - Dec 2017
<b>SEK thousands</b>					
Net sales	88,557	68,189	160,238	138,934	293,094
Order intake	182,856	64,603	235,654	133,173	348,918
Operating profit	-614	-14,579	-15,488	-31,867	-54,764
Operating margin (%)	Neg	Neg	Neg	Neg	Neg
Gross margin (%)	44.0	46.8	39.9	40.9	39.6
Profit for the period	-1,298	-15,901	-14,372	-32,262	-61,846
Earnings per share (SEK)	0.00	-0.02	-0.02	-0.05	-0.09
Cash flow from operations	-4,904	-13,241	-1,377	-21,764	-39,250

### EBITDA

	Apr - June 2018	Apr - June 2017	Jan - June 2018	Jan - June 2017	Jan - Dec 2017
<b>SEK thousands</b>					
Operating profit	-614	-14,579	-15,488	-31,867	-54,764
Depreciation tangible and intangible fixed assets	3,586	4,308	7,176	8,427	17,175
Amortization of acquired intangible assets <sup>1</sup>	5,612	5,542	10,930	11,103	21,725
<b>EBITDA</b>	<b>8,584</b>	<b>-4,729</b>	<b>2,618</b>	<b>-12,337</b>	<b>-15,864</b>

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

## Financial results Group

### April – June 2018

Net sales in the second quarter, amounted to SEK 88.6 million (68.2) and consisted primarily of deliveries and services to customers in the Middle East, USA, Eastern Europe and various smaller orders from existing customers globally. The segment System Sales contributed SEK 69.4 (51.9) million and Managed Services contributed SEK 22.6 (19.1) million to the net sales of the second quarter including inter-segment transactions.

The gross margin for the quarter was 44.0 percent (46.8).

Order intake during the second quarter totalled SEK 182.9 million (64.6) and mainly relates to orders received from our customers in The Netherlands, USA and Australia amongst other smaller orders. On top of that we have received a procurement award from Belgium with a total potential order intake value of SEK 27.0 million. In May we have received the first order for a total amount of SEK 5.7 million relating to this procurement award.

The operating expenses totalled SEK 39.6 million (46.5) including amortisation of intangible fixed assets recognized as part of the acquisition to the amount of SEK 5.6 million.

The operating profit for the second quarter totalled negative SEK 0.6 million (-14.6) and the profit after taxation totalled negative SEK 1.3 million (-15.9).

During the second quarter the investments in fixed assets amounted to SEK 2.3 million (4.6).

Due to changes in corporate income tax rates in Sweden, we have revaluated the Deferred Tax Asset relating to losses carried forward in Sweden at the new tax rate as of year 2021 of 20.6 percent. This resulted in a devaluation of the Deferred Tax Asset of SEK 1.4 million in the period from 24,1 million to 22,7 million. The devaluation of the tax assets resulted in an additional tax expense of SEK 1.4 million.

### January – June 2018

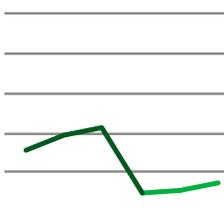
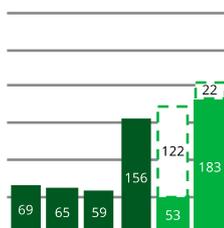
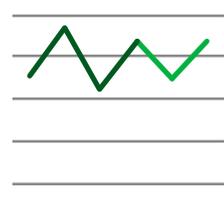
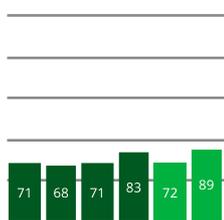
Net sales for the first half year amounted to SEK 160.2 million compared to SEK 138.9 million for the corresponding period in 2017. The segment System Sales contributed SEK 131.6 (110.7) million, and Managed Services contributed SEK 33.3 (32.0) million to the net sales including inter-segment transactions.

The gross margin for the period was 39.9 percent (40.9). The decrease in margins is due to the sales mix of System Sales and Managed Services.

The operating expenses amounted to SEK 79.4 million for the period January to June 2018 compared to SEK 88.7 million for the corresponding period in 2017. The company's total depreciation and amortization for the period from January to June 2018 amounted to SEK 18.1 million compared to SEK 19.5 million for the corresponding period 2017.

### Investments

During the first half year the investments in fixed assets amounted to SEK 6.8 million (6.6) of which SEK 5.7 (5.1) million relates to tangible fixed assets and SEK 1.1 (1.5) million relates to intangible fixed assets. The investment in tangible fixed assets mainly relates to upgrading the Haarlem testing facilities and part of the offices and investments in fixed assets in operations.



#### *Financial position*

The Group's equity at the end of the period totalled SEK 426.3 million (349.9), producing an equity/assets ratio of 70.3 percent (62.1). Net interest-bearing debt amounted to SEK 36.2 million (96.6). The net interest bearing debt has been affected by the new share issue in the fourth quarter of 2017 which resulted in a net cash inflow of SEK 87.2 million.

	30 June 2018	30 June 2017	31 Dec 2017
<b>KSEK</b>			
Short-term liabilities	40,021	29,429	26,193
Long-term liabilities	59,781	81,799	56,160
Cash and bank	-63,579	-14,626	-58,931
<b>Net debt</b>	<b>36,223</b>	<b>96,602</b>	<b>23,422</b>

The increase in short-term liabilities is due to financing customer projects.

#### *The Sensys Gatso share*

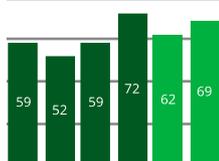
The number of shares at the end of the period was 844,913,669 (657,155,077). The average number of shares during the period was 844,913,669 (657,155,077).

#### *Personnel*

The average number of full time employees was 160 people (151). The number of employees at the end of the period was 178 (166), whereof a part being part-time employees, to be compared with 169 at the end of the financial year 2017. The increase in employees is mainly due to processing staff in the USA, relating to onboarding of new programs.

## Business Segments

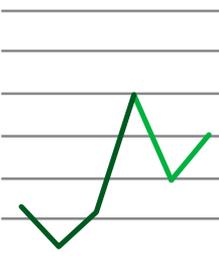
The two main segments used for internal reporting and managing the different operations are System Sales and Managed Services.



### System Sales

Systems sales amounted to SEK 69.4 million (51.9) in the second quarter of 2018. The system sales for the first half year of 2018 amounted SEK 131.6 million compared to SEK 110.7 million in the first half year of 2017.

Sales in the segment System Sales relates to one-off system sales and recurring revenue from service and maintenance. In this segment the service and maintenance sales provide a solid income evenly spread throughout the year. The one-off system sales in 2018 relate to systems sales to the Middle East, Eastern Europe and repeat orders from our existing customers.



The order intake for the segment Systems Sales amounted to SEK 134.0 million (66.6) in the quarter. In the first half year the order intake for the segment amounted to SEK 181.8 million, mainly relating to orders from our customers in The Netherlands and Australia. During the quarter we have received a procurement award from Belgium with a total potential order intake value of SEK 27.0 million. In May we have received the first order for a total amount of SEK 5.7 million relating to this procurement award.

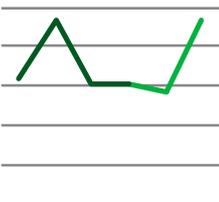
The segment has incurred an EBITDA of SEK 0.1 million (-13.1) in the second quarter. Compared to the second quarter 2017 this is an improvement of EBITDA of SEK 13.2 million. The EBITDA for the first half year amounted SEK -5.0 million compared to SEK -21.6 million in 2017. The improvement in EBITDA is due to a combination of a lower cost base and higher sales.

### Managed Service

Managed Services sales amounted to SEK 22.6 million (19.1) in the second quarter of 2018. Managed Services sales for the first half year amounted SEK 33.3 million (32.0). The increase in sales is due to the onboarding of several new programs in 2018. Besides this, the revenue has been positively affected by a one-off effect due to intensified collection efforts in Iowa to the amount of approximately SEK 4 million.



During the quarter several new contracts and contract extensions have been awarded to Sensys Gatso with an estimated total value of SEK 48.9 million and with an average contract period of 3 to 5 years. After the period we have been awarded with two new contracts for a total value of SEK 16 million and with contract periods of 5 years.



In November 2017 we won a contract in Oklahoma regarding a program to enforce on uninsured vehicles. This first nationwide enforcement program has gone through a slow start-up. As with all new programs like these, alignment of the various stakeholders involved has been challenging and has caused delays in the implementation. We expect the program to start in the fourth quarter 2018.

The segment has incurred an EBITDA of SEK 8.4 million (8.4) in the second quarter. The EBITDA for the first half year amounted SEK 7.6 million compared to SEK 9.3 million in 2017.

The segment Managed Services also includes software development costs relating Managed Services activities and the onboarding of several new programs.

SEK thousands	Apr - June 2018			Apr - June 2017		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	69,412	22,631	92,043	51,912	19,142	71,054
Inter-segment transactions	-429	-3,057	-3,486	-2,866	0	-2,866
<b>Total Net Sales</b>	<b>68,983</b>	<b>19,574</b>	<b>88,557</b>	<b>49,046</b>	<b>19,142</b>	<b>68,188</b>
<b>EBITDA</b>	<b>143</b>	<b>8,441</b>	<b>8,584</b>	<b>-13,093</b>	<b>8,364</b>	<b>-4,729</b>
Depreciation and amortization	-3,754	-5,444	-9,198	-2,236	-7,614	-9,850
<b>Operating Profit</b>	<b>-3,611</b>	<b>2,997</b>	<b>-614</b>	<b>-15,329</b>	<b>750</b>	<b>-14,579</b>
Net financial items			2,691			-3,944
<b>Profit before tax</b>			<b>2,077</b>			<b>-18,523</b>
Tax			-3,375			2,622
<b>Profit for the period</b>			<b>-1,298</b>			<b>-15,901</b>

SEK thousands	Jan - June 2018			Jan - June 2017		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	131,622	33,273	164,895	110,692	31,979	142,671
Inter-segment transactions	-1,600	-3,057	-4,657	-3,738		-3,738
<b>Total Net Sales</b>	<b>130,022</b>	<b>30,216</b>	<b>160,238</b>	<b>106,954</b>	<b>31,979</b>	<b>138,933</b>
<b>EBITDA</b>	<b>-4,997</b>	<b>7,615</b>	<b>2,618</b>	<b>-21,594</b>	<b>9,253</b>	<b>-12,341</b>
Depreciation and amortization	-7,234	-10,872	-18,106	-4,372	-15,158	-19,530
<b>Operating Profit</b>	<b>-12,231</b>	<b>-3,257</b>	<b>-15,488</b>	<b>-25,966</b>	<b>-5,905</b>	<b>-31,871</b>
Net financial items			-491			-5,390
<b>Profit before tax</b>			<b>-15,979</b>			<b>-37,261</b>
Tax			1,607			4,995
<b>Profit for the period</b>			<b>-14,372</b>			<b>-32,266</b>

## Cash flow

### *Cash and available cash*

Cash and cash equivalents at the end of the period totalled SEK 63.6 million (14.6). At the end of the period free available cash amounted SEK 117.5 (64.5) million taking into account the total amount of available credit facilities.

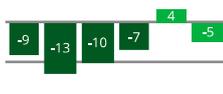
The group's credit facility agreements are subject to covenant clauses, whereby the group is required to meet certain financial ratios. Sensys Gatso has agreed to new covenant ratios with both the SEB and Rabobank for 2018 and onward.

### *Cash flow from operating activities*

During the quarter Sensys Gatso has had a negative cash flow from operating activities of SEK -4.9 million (-21.8) in 2018.

### *Cash flow from investing activities*

The investments in fixed assets amounted to SEK 2.3 million (4.6) in the second quarter.



## OTHER INFORMATION

### Significant events during the second quarter 2018

- Sensys Gatso has signed several contract extensions for managed Services in the USA, estimated to be worth SEK 18 million over the contract periods.
- Sensys Gatso has signed several new contracts for managed Services in the USA, estimated to be worth SEK 27 million over the contract periods.
- Iowa Supreme Court reverses 2017 Decision authorizing Iowa Department of Transportation to Regulate Cities' Automated Traffic Enforcement Cameras.
- Sensys Gatso has received an order in Australia worth SEK 9 million.
- Sensys Gatso Australia has been awarded a contract extension for service and maintenance worth SEK 16.2 million.
- Sensys Gatso has received a procurement award with a total potential order intake value of SEK 27 million from our customer in Belgium, of which the first order of SEK 5.7 million has been received in the quarter.
- Sensys Gatso has received an order from our customer in The Netherlands for supply and installation of Point to Point systems and maintenance and operations over a period of 6 years, with a total order value of SEK 66 million over the contract period.

### Significant events in the previous quarter 2018

- Sensys Gatso has received an award from Ohio to provide an automated speed enforcement program. The 5-year contract has expected sales of USD 125 thousand annually, corresponding to SEK 5 million over this contract period.
- Sensys Gatso has decided to fully provision on an outstanding receivable to the amount of SEK 10 million regarding project deliveries in the Middle East from 2016.
- Sensys Gatso has received an order for in-vehicle based traffic safety systems worth SEK 10 million from its partner KTC International Co. in Qatar.
- Sensys Gatso's has won procurement contract in Finland estimated to be worth SEK 30 million.
- Sensys Gatso has received an order for in-vehicle based traffic enforcement systems from a customer in the Middle East. The order concerns the delivery of systems to a potential total value of EUR 8 million, corresponding to SEK 100 million. The order is under condition that both parties agree on final terms and conditions.

### Significant events after the end of the reporting period

- Sensys Gatso has signed several new contracts for managed Services in the USA, estimated to be worth SEK 16 million over the contract periods.
- Sensys Gatso has signed three new contracts for Australia, estimated to be worth SEK 30.9 million for supply and installation of systems.
- Sensys Gatso has signed a procurement award for in-vehicle solutions in Australia, estimated to be worth SEK 82 million, of which the first order of SEK 12.0 million has been received in the quarter.

- Sensys Gatso has received an additional order for in-vehicle safety systems worth EUR 1.5 million, corresponding to SEK 16 million, from France.
- The Speed Enforcement program in Iowa resumes.

Apart from this, from the end of June 2018 until the release of this report, no significant events or information have emerged about conditions, either favourable or unfavourable, that would justify any additional disclosures.

### Related party disclosures

For the period under review no material business transactions were performed with related parties.

For further information please contact:

Ivo Mönnink, CEO

e-mail: [i.monnink@sensysgatso.com](mailto:i.monnink@sensysgatso.com)

*This information is information that Sensys Gatso Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 on the 30<sup>th</sup> of August 2018.*

## DECLARATION BY THE BOARD OF DIRECTORS

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

Jönköping, 30 August 2018

**Claes Ödman**  
*Chairman of the Board*

**Jochem Garritsen**  
*Board Member*

**Pia Hofstedt**  
*Board Member*

**Kerstin Sjöstrand**  
*Board Member*

**Ingemar Skogö**  
*Board Member*

**Katarina Staaf**  
*Board Member*

Ivo Mönnink  
*Chief executive Officer*

This report, from page 4 to 20, has not been the subject of a summary audit by the Group's auditor.

## GROUP FIGURES

### Consolidated statement of comprehensive income

SEK thousands	Apr - June 2018	Apr - June 2017	Jan- June 2018	Jan- June 2017	Jan -Dec 2017
Net sales	88,557	68,189	160,238	138,934	293,094
Cost of goods sold	-49,587	-36,297	-96,282	-82,065	-176,910
<b>Gross profit</b>	<b>38,970</b>	<b>31,892</b>	<b>63,956</b>	<b>56,869</b>	<b>116,184</b>
Selling expenses	-19,160	-21,302	-37,627	-42,077	-83,528
Administrative expenses	-8,092	-13,065	-17,774	-22,090	-40,266
Development expenses	-11,845	-11,722	-23,291	-24,245	-47,105
Other operating expenses/income	-487	-382	-752	-324	-49
<b>Operating profit</b>	<b>-614</b>	<b>-14,579</b>	<b>-15,488</b>	<b>-31,867</b>	<b>-54,764</b>
Net financial items	2,691	-3,944	-491	-5,390	-10,552
<b>Profit before tax</b>	<b>2,077</b>	<b>-18,523</b>	<b>-15,979</b>	<b>-37,257</b>	<b>-65,316</b>
Tax	-3,375	2,622	1,607	4,995	3,470
<b>Profit for the period</b>	<b>-1,298</b>	<b>-15,901</b>	<b>-14,372</b>	<b>-32,262</b>	<b>-61,846</b>
			0	0	0
Profit is attributable to owners of Sensys Gatso Group AB	-1,706	-16,335	-13,905	-31,837	-58,067
Profit is attributable to non- controlling interest	408	434	-467	-425	-3,779
	<b>-1,298</b>	<b>-15,901</b>	<b>-14,372</b>	<b>-32,262</b>	<b>-61,846</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Translation differences	9,170	-4,359	20,560	-4,423	-3,041
<b>Total other comprehensive income for the period, net after tax</b>	<b>9,170</b>	<b>-4,359</b>	<b>20,560</b>	<b>-4,423</b>	<b>-3,041</b>
<b>Total comprehensive income for the period</b>	<b>7,872</b>	<b>-20,260</b>	<b>6,188</b>	<b>-36,685</b>	<b>-64,887</b>
Number of shares (thousands)	844,914	657,155	844,914	657,155	657,155
Earnings per share (SEK)	0.00	-0.02	-0.02	-0.05	-0.09

## Consolidated balance sheet

	30 June 2018	30 June 2017	31 Dec 2017
<b>SEK thousands</b>			
<b>Assets</b>			
Goodwill	254,289	237,437	239,166
Customer contracts and relations	31,281	43,135	35,459
Brand	16,022	17,189	16,191
Intangible non-current assets	36,967	42,043	38,879
Property, plant and equipment	9,802	7,650	7,245
Fixed assets in operations	28,377	30,078	27,856
Deferred tax assets	38,471	49,875	38,439
Other non-current assets	368	366	361
Trade and other receivables	44,253	46,457	71,322
Inventories and work in progress	56,611	53,929	63,615
Other current assets	26,782	20,627	26,805
Cash and bank balances	63,579	14,626	58,931
<b>Total assets</b>	<b>606,802</b>	<b>563,412</b>	<b>624,269</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	426,260	349,938	420,072
Long-term liabilities	198	332	252
Long-term liabilities towards shareholders	59,583	81,467	55,908
Provision	7,697	8,580	7,725
Deferred tax liabilities	20,860	27,015	23,226
Short-term liabilities	22,925	29,429	10,200
Short-term liabilities towards shareholders	17,096	0	15,993
Trade and other payables	16,899	15,671	30,695
Other current interest-free liabilities	35,284	50,980	60,198
<b>Total shareholders' equity and liabilities</b>	<b>606,802</b>	<b>563,412</b>	<b>624,269</b>

## Consolidated statement of changes in equity

	Apr - June 2018	Apr - June 2017	Jan - June 2018	Jan - June 2017	Jan - Dec 2017
<b>SEK thousands</b>					
<b>Beginning of period</b>	<b>418,388</b>	<b>370,198</b>	<b>420,072</b>	<b>386,623</b>	<b>386,623</b>
New share issue, net	0	0	0	0	98,336
Net profit for the period	-1,706	-16,335	-13,905	-31,837	-3,779
Minority interest in subsidiaries	408	434	-467	-425	-58,067
Other comprehensive income	9,170	-4,359	20,560	-4,423	-3,041
Total comprehensive income for the period	<b>7,872</b>	<b>-20,260</b>	<b>6,188</b>	<b>-36,685</b>	<b>33,449</b>
<b>End of period</b>	<b>426,260</b>	<b>349,938</b>	<b>426,260</b>	<b>349,938</b>	<b>420,072</b>

## Cash flow statement

	Apr - June	Apr - June	Jan- June	Jan- June	Jan - Dec
SEK thousands	2018	2017	2018	2017	2017
<b>Operating profit</b>	<b>-614</b>	<b>-14,579</b>	<b>-15,488</b>	<b>-31,867</b>	<b>-54,764</b>
Items with no effect on cash flow	8,186	9,146	15,806	18,643	35,425
Financial items	2,828	-888	39	-1,433	4,894
Tax paid	-238	-1,120	-657	-1,497	766
<b>Funds contributing from operating activities</b>	<b>10,163</b>	<b>-7,441</b>	<b>-299</b>	<b>-16,154</b>	<b>-13,679</b>
Change in working capital	-15,067	-5,800	-1,078	-5,610	-25,571
<b>Cash flow from operating activities</b>	<b>-4,904</b>	<b>-13,241</b>	<b>-1,377</b>	<b>-21,764</b>	<b>-39,250</b>
Cash flow from investing activities	-2,290	-4,622	-6,797	-6,578	-13,003
	<b>-7,194</b>	<b>-17,863</b>	<b>-8,174</b>	<b>-28,342</b>	<b>-52,253</b>
<b>Financing activities</b>					
New share issue	0	0	0	0	87199
New loan	0	0	0	0	0
Repayment of loan	-39	-6,287	-74	-12,575	-18,896
Repayment/usage of credit facilities	3,991	18,172	12,725	23,028	10,049
Repayment of loan to shareholders	0	0	0	0	0
<b>Change in cash and bank balances</b>	<b>-3,242</b>	<b>-5,978</b>	<b>4,477</b>	<b>-17,889</b>	<b>26,099</b>
Liquid funds at the beginning of the period	66,546	20,993	58,931	31,643	31,643
Translation differences in liquid funds	275	-389	171	872	1,189
<b>Closing cash and cash equivalents</b>	<b>63,579</b>	<b>14,626</b>	<b>63,579</b>	<b>14,626</b>	<b>58,931</b>

## PARENT COMPANY

### Statement of comprehensive income

	Apr - June 2018	Apr - June 2017	Jan - June 2018	Jan - June 2017	Jan - Dec 2017
<b>SEK thousands</b>					
Other sales	1,259	3,000	1,663	4,003	6,275
Cost of goods sold	0	0	0	0	0
<b>Gross profit</b>	<b>1,259</b>	<b>3,000</b>	<b>1,663</b>	<b>4,003</b>	<b>6,275</b>
Selling expenses	0	0	0	0	0
Administrative expenses	-3,716	-8,615	-6,130	-8,890	-18,052
Development expenses	0	0	0	0	0
Other operating expenses/income	0	0	0	0	0
<b>Operating profit</b>	<b>-2,457</b>	<b>-5,615</b>	<b>-4,467</b>	<b>-4,887</b>	<b>-11,777</b>
Net financial items	-497	-1,270	-3,218	-1,367	-2,645
<b>Profit before tax</b>	<b>-2,954</b>	<b>-6,885</b>	<b>-7,685</b>	<b>-6,254</b>	<b>-14,422</b>
Tax	-1,343	0	-1,343	0	-2,984
<b>Profit for the period/Comprehensive income for the period</b>	<b>-4,297</b>	<b>-6,885</b>	<b>-9,028</b>	<b>-6,254</b>	<b>-17,406</b>

## Balance sheet

	30 June 2018	30 June 2017	31 Dec 2017
<b>SEK thousands</b>			
Intangible non-current assets	607	0	0
Shares in subsidiaries	413,952	413,952	413,952
Deferred tax assets	19,761	24,088	21,104
Receivables from Group	30,199		30,000
Other current assets	453	399	306
Cash and bank balances	28,894	290	37,404
<b>Total assets</b>	<b>493,866</b>	<b>438,729</b>	<b>502,766</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	436,015	354,547	445,043
Long-term liabilities	0	0	0
Long-term liabilities towards shareholders	38,741	62,120	36,209
Short-term liabilities	0	6,250	0
Short-term liabilities towards shareholder	17,096	0	15,993
Trade and other payables	0	1,711	0
Trade and other payables from Group	414	8,120	450
Other current interest-free liabilities	1,600	5,981	5,071
<b>Total shareholders' equity and liabilities</b>	<b>493,866</b>	<b>438,729</b>	<b>502,766</b>

## Change in shareholders' equity

	30 June 2018	30 June 2017	31 Dec 2017
<b>SEK thousands</b>			
<b>Beginning of period</b>	<b>440,312</b>	<b>361,432</b>	<b>349,032</b>
New share issue, net	0	0	98,336
Profit for the period/Comprehensive income for the period	-4,297	-6,885	-2,325
<b>End of period</b>	<b>436,015</b>	<b>354,547</b>	<b>445,043</b>

## QUARTERLY DATA

### Consolidated statement of income, quarterly data

	2018			2017		
	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	88,557	71,681	83,275	70,885	68,189	70,745
Cost of goods sold	-49,587	-46,695	-46,881	-47,964	-36,297	-45,768
<b>Gross profit</b>	<b>38,970</b>	<b>24,986</b>	<b>36,394</b>	<b>22,921</b>	<b>31,892</b>	<b>24,977</b>
Costs	-39,584	-39,860	-41,093	-41,114	-46,471	-42,269
<b>Operating profit</b>	<b>-614</b>	<b>-14,874</b>	<b>-4,699</b>	<b>-18,193</b>	<b>-14,579</b>	<b>-17,292</b>
Net financial items	2,691	-3,182	-4,350	-810	-3,944	-1,448
<b>Res Profit before tax</b>	<b>2,077</b>	<b>-18,056</b>	<b>-9,049</b>	<b>-19,003</b>	<b>-18,523</b>	<b>-18,740</b>
Tax	-3,375	4,982	-3,547	2,021	2,622	2,374
<b>Profit for the period</b>	<b>-1,298</b>	<b>-13,074</b>	<b>-12,596</b>	<b>-16,982</b>	<b>-15,901</b>	<b>-16,366</b>

### Key indicators and other information, quarterly basis

	2018			2017		
	Q2	Q1	Q4	Q3	Q2	Q1
Operating margin (%) <sup>1)</sup>	Neg	Neg	Neg	Neg	Neg	Neg
Gross margin (%) <sup>2)</sup>	44.01	34.86	43.70	32.34	46.77	35.31
Profit margin (%) <sup>3)</sup>	Neg	Neg	Neg	Neg	Neg	Neg
Equity per share (SEK) <sup>4)5)</sup>	0.50	0.50	0.50	0.49	0.53	0.56
Cash flow per share (SEK) <sup>6)</sup>	-0.01	0.00	-0.01	-0.02	-0.02	-0.01
Number of employees <sup>7)</sup>	178	170	169	167	166	175
No. Of outstanding shares (thousands)	844,914	844,914	844,914	657,155	657,155	657,155
Equity/assets ratio (%)	70.25	66.78	67.29	58.69	62.11	64.56
Order intake (SEK thousands)	182,856	52,798	156,322	59,423	64,603	68,570

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 Gatso has a long-term incentive program for the CEO, that involves a dilution effect

6) Operating cash flow relative number of shares

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

## 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*

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

On July 31<sup>st</sup> 2015 Sensys Traffic AB acquired Gatso Beheer BV. As of that date the financial numbers of Gatso Beheer BV are consolidated.

#### *EBITDA (Earnings before interest, taxes, depreciation and amortization)*

The Intangible fixed assets, relating to the Purchase Price Allocation on the acquisition of Gatso Beheer BV, generates considerable amounts of amortisation 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.

#### *Volatility*

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

#### *Risks and uncertainty*

Significant risks and uncertainties faced by the group primarily consist of commercial risks associated with customers and suppliers, and financial risks in its international business due to changes in exchange- and interest rates, as well as liquidity, financing and credit risks. Currency risks also arise in the translation of foreign net assets and earnings. Sensys Gatso Group's overall goal is as far as possible to avoid taking financial risks that may arise through changes in foreign currency rates, interest levels and market prices, as well as liquidity, financing and credit risks.

For more information about the group's risks, please refer to note 25 of the 2017 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 2017.

### **New standards, amendments and interpretations applicable from January 1, 2018**

IFRS 15 “Revenue from contracts with customers” introduces new requirements for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations.

The new standard provides more detailed guidance in many areas not previously covered by the applicable IFRS, including recognition procedures for contracts with one or more parts, variable pricing, customers’ right of return, etc. The standard has been adopted by the EU. The standard will be applied from the 2018 financial year.

In 2017, workshops were held and an investigation conducted to identify potential differences between the existing accounting policies and IFRS 15.

Based on the findings, follow-ups and analyses were conducted based on the five-step model in IFRS 15.

Following this analysis, the assessment is that no material differences exist between the currently applicable accounting policies and guidance pertaining to identification of the performance obligations of the contract and allocation of the transaction price in IFRS 15. As with the existing policies, sales of products will be recognised when the transfer of risk under the contract has been effected which, according to the analysis performed, also meets the criteria for the transfer of control under IFRS 15.

Accordingly, the final assessment is that the introduction of IFRS 15 will have no material effect on the Group’s financial position. The Group has elected to apply the modified transitional method for the application of IFRS 15 from 1 January 2018. This will only impact the disclosure requirements that have to be met.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there is no significant change to classification and measurement. Hedge accounting rules are modified. The standard is effective for annual periods beginning on or after January 1, 2018, but comparative periods will not be restated. IFRS 9 will not have a significant impact on the financial reports in the Group.

### **New standards, amendments and interpretations not yet adopted**

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right of use assets and corresponding lease liabilities. Compared with the existing accounting for operating leases, it will also impact the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. A key aspect being considered in Sensys Gatso’s review of the new standard is whether to apply any transitional options such as the modified retrospective approach, which would mean that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information.

For more information about the accounting policies applied, please refer to Sensys Gatso’s website.

For definitions of key indicators, please refer to the annual report issued for 2017, which is available on the Sensys Gatso website [www.sensysgatso.com](http://www.sensysgatso.com)

## FINANCIAL INFORMATION

### Invitation to a presentation for press and analysts

On 30 Aug at 09:30 CEO Ivo Mönnink and CFO Simon Mulder will present the interim report of January-June 2018 and answer questions in an audiocast. The presentation can be followed online via the link on Sensys' website: [www.sensysgatso.com](http://www.sensysgatso.com) or <https://digital.vevent.com/rt/fronto2~sensys-q2-2018>

**In order to participate in the audiocast you will need to register yourself. This registration is done by an e-mail address, when accessing the link above.**

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/7186187>

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 9 175 039 901

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: [7186187](http://emea.directeventreg.com/registration/7186187) or "Sensys" to register.

Please call ten minutes before the time specified.

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### Financial calendar

#### *Future reporting dates*

Interim Report July – September 2018	22 Nov 2018
Year-End Report January – December 2018	21 Feb 2019
Interim Report Jan – March 2019	25 April 2019
AGM 2019	9 May 2019