

# Sensys Gatso Group AB

## Interim Report

### July - September 2019



MSEK	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018
Net Sales	73.0	95.7	248.3	255.9
Order intake	79.3	100.7	320.7	336.3
Operating profit (EBIT)	-17.8	8.8	-38.3	-6.7
Operating profit (EBITDA)	-2.8	18.2	1.5	20.9
Total Comprehensive income	-6.6	1.2	-13.7	7.4
Earnings per share, before and after dilution (SEK)	-0.02	0.00	-0.04	-0.01
Cash flow from operating activities	-23.9	11.6	-47.1	10.3

## Comments from the CEO

### **TRaaS Order Intake amounts to 49%**

We continue to have a solid order intake this quarter of SEK 79 (101) million, further reinforcing our already strong 2019 orderbook. The order intake mainly relates to orders received from the USA, France, United Arab Emirates and our new market Colombia in Latin America. Year to date the order intake amounts to SEK 320 million, slightly lower (5%) than last year (337). The TRaaS (recurring) nature of the total order value year to date amounts to approximately 49 percent.

### **TraaS sales development stays on track**

The total net sales year to date amounts to SEK 248 million, slightly lower than last year (256). This is in line with our expectations because the realization of our strong order intake in 2018, to a large extent still has to be converted into revenue. In Q2 and Q3 we have been implementing several large and complex projects simultaneously. The recurring part of this revenue, which we call TraaS, ended for the first nine months of the year at 51 percent (43). This is 15 percent higher than the same period 2018 and in line with our strategy to grow this business.

### **Market entry in Latin America**

Our strong international brand name and reputation has helped us to book two significant orders in two separate Departments in Colombia during the quarter. With a 30% TRaaS component, over a 5 year period, we are at the brink of building a longstanding relationship with new customers in the exciting and growing Latin American region. With our investments in sales efforts in the past years, and our recent successes in Colombia, I am confident we can seize further opportunities in the region.

### **Oklahoma spin-offs**

The introduction of the new business vertical of Uninsured Car Enforcement in Oklahoma, was the first of its kind in the USA. We have mastered the complexity of this program and the revenue contribution is increasing month after month. Based on the Oklahoma results so far, we are now seeing concrete interest from several other states in the USA to implement a similar program. A prerequisite for implementation is that state legislation needs to be amended to enable automated enforcement. The incentive for the states to change legislation is to decrease the social costs and to increase insurance premium tax income. Because of the scalability of our solution, and lessons learned, we expect shorter implementation timelines when new states would come onboard.

### **Innovative growth creates long-term value**

In our business, sales cycles and project implementation can take quite a long time. This certainly is the case when we implement large, innovative and therefore complex projects. We are currently doing so with three large projects in the Netherlands, Australia and the USA, which for the most part were won in 2018. Combined, these projects have a very significant TRaaS component of approximately 45 percent. Revenue and margin generation of these programs can therefore be expected on a yearly base for many years to come. As explained last quarter, the increase in costs of services and goods sold, are mostly variable costs of employees related to the implementation phase of the mentioned projects. The project developments realised within the implementation phase will also benefit our future customers, as the functionality of our software platform grows. The expenses in general have increased due to higher sales activities and administrative costs

related to higher costs of employees. Sales activities have increased due to additional sales efforts in the Latin American region. As we are in an expansion phase with implementation of many large projects, the year to date gross margin arrives at approximately 36% (43%).

### **Available cash and financial position**

Our available cash has decreased from SEK 153 million at the end of 2018 to SEK 66.1 million at the end of the quarter (122.4). In the first nine months of the year we have seen an increase in working capital needs in our System Sales business, due to large projects that are currently being executed, such as the Australian In vehicle solution and the Dutch Rural Roads project. With the expectation of partial deliveries in Q4, we would expect payments to come in during the first and second quarter of 2020. In 2019 the working capital position has increased with SEK 43.9 million to finance our growth. The sales success achieved in our Managed Services (TRaaS) business has led to expansion of our installed base. These expansion investments in Fixed Assets in Operations are related to Red Light, Speed and Automated Number Plate Recognition (ANPR) solutions for new programs in the USA and Germany to the amount of SEK 19.5 million. Expanding our Managed Services (TRaaS) business results in an upfront capex with cash starting to come in between two to twelve months after the startup of the program. Payments are typically based on a "paid-citation" base, which means that cash increases when the program is fully implemented. System Sales deals are getting bigger, therefore our work in progress is increasing. For System Sales, cash generation differs project by project, depending on the contract-specifics.

Over the last six quarters our cash flow from operations has been break-even. The Available cash in the same period has decreased from 117 million to 66 million. The decrease relates to a repayment on the vendor loan to the amount of SEK 10.2 million and investments in Fixed Assets to the amount of SEK 40.6 million. These investments in fixed assets mainly relate to Fixed Assets in Operations in the US and in the development of our new platform FLUX.

Our Equity/Assets ratio landed at 61.4 compared to 71.8 at the end of 2018. This ratio is heavily impacted by IFRS16 and the increase in working capital assets that both have an increasing effect on our balance sheet total.

### **Outlook**

We continue on our path to grow our Traffic Enforcement as a Service business, with successes in various parts of the world. Although implementing complex solutions initially takes time and affects our revenue and margin in the short-term, we are expanding our solution offering and growing our software platform. We are also very proud to have introduced an innovative solution in the US market to address the important social issue of uninsured drivers, a completely new business opportunity for us. Finally, considering our strong order book, our growing recurring revenue base and our entry into Colombia, part of the large Latin American market, we have created a solid base for future growth.

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

## Financial summary

### Key indicators

	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
<b>TSEK</b>					
Net sales	73,028	95,688	248,331	255,926	380,349
Order intake	79,314	100,689	320,746	336,343	480,284
Gross margin (%)	33.9	48.8	36.4	43.2	42.5
Operating profit (EBIT)	-17,845	8,786	-38,274	-6,702	589
Operating margin (EBIT %)	Neg	9.2	Neg	Neg	0
Operating profit (EBITDA)	-2,791	18,241	1,508	20,859	37,563
Profit for the period	-15,670	4,089	-33,512	-10,283	-2,472
Earnings per share (SEK)	-0.02	0.00	-0.04	-0.01	0.00
Cash flow from operations	-23,869	11,649	-47,133	10,272	49,307

IFRS 16 has an impact on comparability of 2019 numbers to the reported 2018 numbers. We refer to the disclosure on page 23.

### EBITDA

	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
<b>TSEK</b>					
Operating profit (EBIT)	-17,845	8,786	-38,274	-6,702	589
Depreciation tangible and intangible fixed assets	9,024	3,723	21,963	10,899	14,562
Amortization of acquired intangible assets	6,030	5,732	17,819	16,662	22,412
<b>Operating profit (EBITDA)</b>	<b>-2,791</b>	<b>18,241</b>	<b>1,508</b>	<b>20,859</b>	<b>37,563</b>

## Financial results Group



### July – September 2019

Order intake during the third quarter totalled SEK 79.3 million compared to SEK 100.7 million in the same quarter last year. The order intake for the quarter mainly relates to orders received from our customers in France, Colombia, UAE and the US, amongst other smaller repeat orders.

Net sales in the third quarter, amounted to SEK 73.0 million (95.7). The segment System Sales contributed SEK 52.5 million (77.4) and Managed Services contributed SEK 25.2 million (23.3) to the net sales of the third quarter including inter-segment transactions.

	July - Sep 2019	Jan - Sep 2019	Jan - Dec 2018	Jan - Dec 2017
<b>TSEK</b>				
Europe	38,782	130,230	172,219	179,012
Americas	23,238	62,642	70,362	55,072
APAC and MEA	11,008	55,459	137,774	59,010
<b>Total Sales</b>	<b>73,028</b>	<b>248,331</b>	<b>380,354</b>	<b>293,094</b>

In the APAC and MEA region we are currently working on very large projects, with the expectation of partial deliveries and revenue recognition in Q4.

SYSTEM SALES			MANAGED SERVICES		
					
<b>One-off</b>	<b>TRaaS</b>		<b>TRaaS</b>	<b>TRaaS</b>	<b>TRaaS</b>
Project Sales & Customer Specific Development	Service and Maintenance		Automated Traffic Enforcement (Speed & Red-Light)	Uninsured Vehicle Enforcement Diversion (UVED)	Software (PULS & Xilium)
					 

TRaaS is recurring revenue from service and maintenance within System Sales and Managed Services.

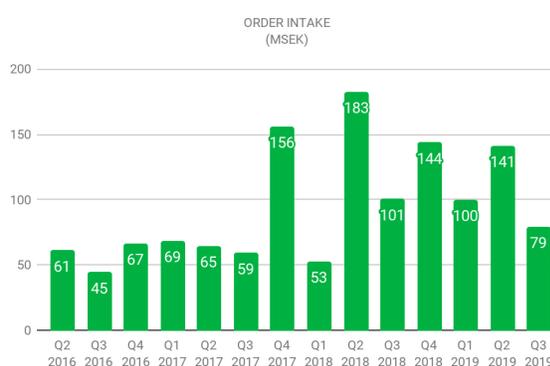
	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
<b>TSEK</b>					
System Sales	30,017	52,893	121,114	145,440	234,902
TRaaS: Service & Maintenance	17,735	16,409	52,082	50,813	67,738
TRaaS: Licenses	372	3,641	2,604	6,714	7,841
TRaaS: Managed Services	24,904	22,744	72,531	52,960	69,873
<b>Total Sales</b>	<b>73,028</b>	<b>95,687</b>	<b>248,331</b>	<b>255,927</b>	<b>380,354</b>
Of which TRaaS:	43,011	42,794	127,217	110,487	145,452
TRaaS % of total Sales:	59%	45%	51%	43%	38%

Of the total sales in the first three quarters of the year 51 percent relates to recurring revenues based on Service & Maintenance, License and Managed Services revenue, compared to 43 percent for the comparison period 2018. The increase is due to a relative lower System Sales in the period.

The operating expenses totalled SEK 42.6 million (37.9) including amortisation of intangible fixed assets recognized as part of the acquisition to the amount of SEK 6.0 million (5.6). The increase in expansion expenses in the quarter to 42.6 million is caused by an increase of variable costs for employees in the first nine months of the year related to the implementation phase of projects.

The gross margin for the quarter was 33.9 percent (48.8). The decrease in gross margin compared to the third quarter 2018 is due to the mix in sales between the segments System Sales and Managed Services. As mentioned in our second quarter report, the segment Managed Services incurred cost related to the roll-out of several programs in the US and Germany. These costs relate to one-off expenses, costs relating to startup of programs and the cost for further development of our platforms Xilium and PULS.

The operating profit for the quarter totalled SEK -17.8 million (8.8) and the profit after taxation totalled SEK -15.7 million (4.1).



### January – September 2019

The 12 months rolling order intake is now at 486 (451) million. During 2018 and 2019 the order intake has been consistently higher compared to 2016 and 2017.

During the first three quarters of the year we have received new orders, repeat orders and contract renewals totalling SEK 320.7 million (336.3). The total order intake is at a similar high level compared to last year.

Net sales for the period January to September 2019 amounted to SEK 248.3 million (255.9). The segment System Sales contributed SEK 193.4 million (209.1) and Managed Services contributed SEK 67.8 million (56.6) to the net sales of the first three quarters of the year including inter-segment transactions.

The gross margin in the first three quarters amounted to 36.4 percent compared to a gross margin of 43.2 percent in the same period last year.

The operating expenses in the period January to September 2019 amounted to SEK 128.7 million (117.3). The increase in the first three quarters of the year is mainly due to an increase of mostly variable costs for employees and related administrative expenses.

The operating profit amounted to SEK -38.2 (-6.7) million and the profit after taxation totalled SEK -33.5 million (-10.3).

### Investments

During the period January to September 2019 the investments in fixed assets amounted to SEK 23.8 million (12.8) of which SEK 21.0 million (8.8) related to tangible fixed assets and SEK 2.8 million (3.6) relates to intangible fixed assets. The investments in tangible fixed assets mainly relate to investments in fixed assets in operations related to Managed Services programs in the US. The investments in intangible fixed assets mainly relates to the continued development of our FLUX platform.

As a consequence of the implementation of IFRS 16 as of January 1, 2019 costs relating to rent and lease of buildings and other assets have been capitalized on the balance sheet in their respective categories (Right of use Assets). The liabilities have been recorded under the long-term borrowings as Lease liabilities. The short-term part of these liabilities have been presented under the short-term borrowings. The impact of IFRS 16 amounts to an increase in assets and liabilities to the amount of SEK 38.6 million as of January 1, 2019.

### Personnel

The average number of full-time employees was 220 people (168). The number of employees at the end of the period was 255 to be compared with 195 at the end of the financial year 2018. The increase in employees is mainly due to processing staff in the USA, relating to on-boarding of new programs, project temps in Australia relating to the execution of the various projects that were announced in 2018 and increase in development employees for development of various customer specific solutions and our generic platform FLUX.

### Financial position

The Group's equity at the end of the period totalled SEK 440.0 million (444.9), producing an equity/assets ratio of 61.4 percent (72.9). This ratio has been significantly impacted by the implementation of IFRS 16 in 2019, which is reflected in the short-term liabilities to the amount of SEK 10.1 million and in the Long-term liabilities to the amount of SEK 25.6 million.

Net interest-bearing debt amounted to SEK 99.1 million (12.8). The increase of the long-term liabilities is due to the implementation of IFRS 16. The increase in net interest bearing debt is mainly caused by financing of working capital assets and investments in fixed assets in operations in the first three quarters of the year.

	30 Sep 2019	30 Sep 2018	31 Dec 2018	31 Dec 2017
<b>TSEK</b>				
Short-term liabilities	67,014	26,308	10,199	26,193
Long-term liabilities	66,088	48,836	48,692	56,160
Cash and bank	-33,983	-62,388	-76,607	-58,931
<b>Net Interest-bearing debt</b>	<b>99,119</b>	<b>12,756</b>	<b>-17,716</b>	<b>23,422</b>

### The Sensys Gatso share

The number of shares at the end of the period was 860,024,407 (860,024,407). The average number of shares during the year was 860,024,407 (845,728,771).

The table below shows the five largest shareholders in the Company as per end of September 2019. The family office that founded Gatso, which was acquired by Sensys Traffic AB in 2015, is the company's largest shareholder with 19 percent (BNP). (Source Euroclear)

#	Shareholder	Number of shares	Proportion of share capital/ Votes%
1	BNP PARIBAS SEC SERVICES PARIS	164,247,615	19.1
2	FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	36,226,198	4.2
3	WALL, PER	23,000,000	2.7
4	BERGSTRAND, INGER	20,659,837	2.4
5	NORDNET PENSIONS FÖRSÄKRING AB	12,051,941	1.4

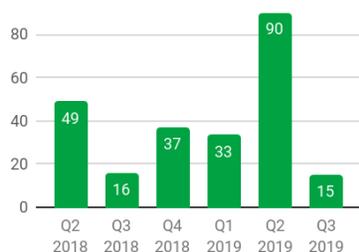
#	Concentration	Proportion of share capital/ Votes%
10	Largest holders	34.4
20	Largest holders	38.8
50	Largest holders	45.4
100	Largest holders	51.1

#	Country	Proportion of share capital/ Votes%
1	Sweden	75.1
2	Netherlands	19.1
3	United States	1.8
4	Switzerland	1.0
5	Denmark	1.0
6	Other	2.0
		<b>100.0</b>

## Business Segments

The two main segments used for internal reporting and managing the different operations are System Sales and Managed Services. TRaaS is recurring revenue from service and maintenance within System Sales and Managed Services.

ORDER INTAKE MANAGED SERVICES EXCL. PROCUREMENT AWARDS (MSEK)



SALES MANAGED SERVICES (MSEK)



EBITDA MANAGED SERVICES (MSEK)



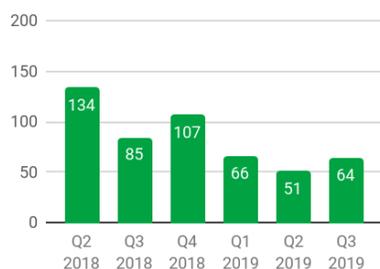
### Managed Services

During the quarter we have been awarded two contracts in Colombia which has a TRaaS software license component for approximately SEK 15 million of the initial contract period.

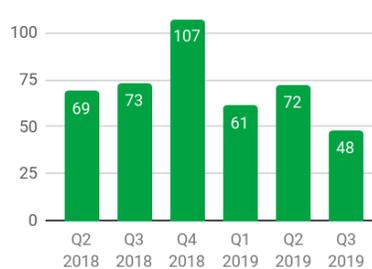
Managed Services sales amounted to SEK 25.2 million (23.3) in the quarter. The increase in sales is due to the startup of new programs announced during 2018 and during the year. The segment has incurred an EBITDA of SEK -0.6 million (9.0). The decrease in EBITDA is a result of increased development efforts and costs related to starting up new programs.

Besides the US operation the segment Managed Services also includes Managed Service programs in Germany and the software development department in Amsterdam, which develop PULS and Xilium.

ORDER INTAKE SYSTEM SALES EXCL. PROCUREMENT AWARDS (MSEK)



SALES SYSTEM SALES (MSEK)



EBITDA SYSTEM SALES (MSEK)



## System Sales

The order intake for the segment System Sales amounted to SEK 51.2 million (SEK 134.0 million, excluding procurement awards) in the quarter. The order intake mainly relates to orders from our customer in France and new customers in Colombia as well as smaller repeat orders from our existing customers. On July 12, Sensys Gatso announced the completion of the 4th batch to our customer in Saudi Arabia, of which 50% of revenue has been realized and accounted for in the second quarter and 50% in the third quarter.

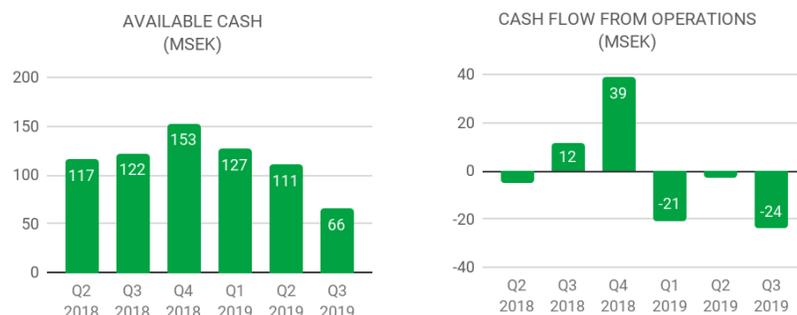
Sales in the segment System Sales relates to one-off system sales and recurring revenue from service and maintenance. In this segment the service and maintenance sales provide a solid income evenly spread throughout the year. The one-off System Sales in this quarter relates mainly to Systems Sales in the regions Europe and Middle East. Systems Sales amounted to SEK 52.5 million (77.5) in the quarter, of which 17.7 (16.4) relates to TRaaS recurring revenue.

The segment has incurred an EBITDA of -2.2 million (9.3) in the third quarter and SEK -1.5 million in the first three quarters of the year (4.3).

TSEK	July - Sep 2019			July - Sep 2018		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	52,464	25,196	77,660	77,459	23,280	100,739
Inter-segment transactions	-4,340	-292	-4,632	-4,515	-536	-5,051
<b>Total Net Sales</b>	<b>48,124</b>	<b>24,904</b>	<b>73,028</b>	<b>72,944</b>	<b>22,744</b>	<b>95,688</b>
<b>EBITDA</b>	<b>-2,217</b>	<b>-574</b>	<b>-2,791</b>	<b>9,290</b>	<b>8,951</b>	<b>18,241</b>
Depreciation and amortization	-5,281	-9,773	-15,054	-855	-8,600	-9,455
<b>Operating Profit</b>	<b>-7,498</b>	<b>-10,347</b>	<b>-17,845</b>	<b>8,435</b>	<b>351</b>	<b>8,786</b>
Net financial items			-63			-1,843
<b>Profit before tax</b>			<b>-17,908</b>			<b>6,943</b>
Tax			2,238			-2,854
<b>Profit for the period</b>			<b>-15,670</b>			<b>4,089</b>

TSEK	Jan - Sep 2019			Jan - Sep 2018		
	System Sales	Managed Service	Total	System Sales	Managed Service	Total
Total Net sales per business segment	193,351	67,814	261,165	209,081	56,558	265,639
Inter-segment transactions	-11,593	-1,241	-12,834	-6,115	-3,593	-9,708
<b>Total Net Sales</b>	<b>181,758</b>	<b>66,573</b>	<b>248,331</b>	<b>202,966</b>	<b>52,965</b>	<b>255,931</b>
<b>EBITDA</b>	<b>-1,464</b>	<b>2,972</b>	<b>1,508</b>	<b>4,293</b>	<b>16,566</b>	<b>20,859</b>
Depreciation and amortization	-14,746	-25,036	-39,782	-8,089	-19,472	-27,561
<b>Operating Profit</b>	<b>-16,210</b>	<b>-22,064</b>	<b>-38,274</b>	<b>-3,796</b>	<b>-2,906</b>	<b>-6,702</b>
Net financial items			-2,123			-2,334
<b>Profit before tax</b>			<b>-40,397</b>			<b>-9,036</b>
Tax			6,885			-1,245
<b>Profit for the period</b>			<b>-33,512</b>			<b>-10,281</b>

## Cash flow and financial position



### Cash and available cash

Cash and cash equivalents at the end of the period totalled SEK 34.0 million (62.4). At the end of the period free available cash amounted SEK 66.1 million (122.4) taking into account the total amount of available credit facilities. In the first nine months of the year we have seen an increase in working capital needs in our System Sales business, due to large projects that are currently being executed, such as the Australian In vehicle solution and the Dutch Rural Roads project. With the expectation of partial deliveries in Q4, we would expect payments to come in during the first and second quarter of 2020.

Over the last six quarters our cash flow from operations has been break-even. The Available cash in the same period has decreased from 117 million to 66 million. The decrease relates to a repayment on the vendor loan to the amount of SEK 10.2 million and investments in Fixed Assets to the amount of SEK 40.6 million. These investments in fixed assets mainly relate to Fixed Assets in Operations in the US and in the development of our new platform FLUX.

The group's credit facility agreements are subject to covenant clauses, whereby the group is required to meet certain financial ratios. Sensys Gatso did not fulfil the financial ratio as required in the contract for the credit facility with one of our banks to the amount of SEK 15 Million. The bank has provided Sensys Gatso with a waiver with regards to the covenants. By receiving this waiver Sensys Gatso has fulfilled its obligations towards the bank.

The group has processes in place to monitor the bank covenants and cash flow and is in control of cash requirements. We are in discussion with our bank on the terms of the bank covenants and the credit facility to better fit our business model going forward.

### Cash flow from operating activities

During the quarter Sensys Gatso has had a negative cash flow from operating activities of SEK 23.9 million (11.6).

For the first 9 months the operating cash flow was negative SEK 47.1 million (-1.4). This is mainly due to the investments in working capital of SEK 43.9 million and the investments in fixed assets for SEK 23.8 million. During 2019 we have build up contract assets (work in progress), relating to projects.

This has resulted in higher working capital assets. Due to new programs in the USA and Germany we have invested in fixed assets in operations to the amount of SEK 19.5 million.

### **Cash flow from investing activities**

The investments in fixed assets for the quarter amounted to SEK 9.0 million (6.0) in the quarter.

## **Other information**

### **Significant events during the quarter**

- 12 July Sensys Gatso Netherlands receives order from France worth SEK 16 million for the T-Series in-vehicle solution
- 12 July Sensys Gatso delivers 4th batch in-vehicle enforcement systems to Saudi Arabia
- 18 July Sensys Gatso receives a contract for traffic enforcement in Bolivar, Colombia worth SEK 9.2 million
- 31 July Sensys Gatso receives a contract for traffic enforcement in Cesar, Colombia worth SEK 10 million
- 5 Sep Sensys Gatso receives order from the United Arab Emirates worth SEK 12 million
- 19 Sep Sensys Gatso receives order from the United Arab Emirates worth SEK 8 million

### **Significant events after the quarter**

- 1 Oct Sensys Gatso receives three-year TraaS contract, valued at SEK 30 Million for school zone speed enforcement in Buffalo, New York
- 9 Oct Sensys Gatso receives five-year TraaS contract, valued at SEK 20 Million for new speed enforcement program in LeClaire, Iowa
- 6 Nov Sensys Gatso receives five-year TraaS contract, valued at SEK 6 Million for new speed enforcement program in Independence, Iowa, USA
- 14 Nov Nomination committee appointed for Annual General Meeting 2020

A list of Sensys Gatso's press releases can be found on [www.sensysgatso.com](http://www.sensysgatso.com)

## Related party transactions

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

In 2015 the company has acquired Gatso Beheer BV. The former owners of Gatso Beheer BV have provided the company with a vendor loan to the amount of MEUR 6.84. As part of the new share issue in 2017, a part of the vendor loan installment of 31 July 2018 was converted into shares. In 2018 the remaining part of the first installment was converted into 15,110,738 shares. Sensys Gatso Group AB has repaid the second installment on the Vendor Loan as per the agreement.

### Vendor loan (nominal value in TEUR)

Installment dates	Balance December 31, 2017	Conversion 2018	Repayment 2019	Balance June 30, 2019
31/07/2018	1,645	-1,645	0	0
31/07/2019	1,000		-1,000	0
31/07/2020	1,000			1,000
31/07/2021	1,000			1,000
31/07/2022	840			840
	<b>5,485</b>	<b>-1,645</b>	<b>-1,000</b>	<b>2,840</b>

## Sustainability

Sensys Gatso Group develops, manufactures, markets and sells system solutions and products that increase road safety. Our largest product category includes automated red light, speed and traffic monitoring systems that prevent traffic accidents; saving lives and saving social resources. See more information about our sustainability work in the 2018 Annual Report, available at [www.sensysgatso.com](http://www.sensysgatso.com).

## Auditors review

This report has been the subject of a limited review by the Group's auditor. The review report is on page 29.

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*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 28 November 2019.*

## Group figures

### Consolidated statement of comprehensive income

TSEK	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
<b>Net sales</b>	73,028	95,688	248,331	255,926	380,349
Cost of goods sold	-48,272	-49,006	-157,904	-145,288	-218,834
<b>Gross profit</b>	<b>24,756</b>	<b>46,682</b>	<b>90,427</b>	<b>110,638</b>	<b>161,515</b>
Selling expenses	-21,122	-17,563	-60,940	-55,190	-75,098
Administrative expenses	-10,845	-9,419	-31,892	-27,193	-38,579
Development expenses	-10,769	-10,739	-36,261	-34,030	-46,176
Other operating expenses/income	135	-175	392	-927	-1,073
<b>Operating profit</b>	<b>-17,845</b>	<b>8,786</b>	<b>-38,274</b>	<b>-6,702</b>	<b>589</b>
Net financial items	-63	-1,843	-2,123	-2,334	-1,685
<b>Profit before tax</b>	<b>-17,908</b>	<b>6,943</b>	<b>-40,397</b>	<b>-9,036</b>	<b>-1,096</b>
Tax	2,238	-2,854	6,885	-1,247	-1,376
<b>Profit for the period</b>	<b>-15,670</b>	<b>4,089</b>	<b>-33,512</b>	<b>-10,283</b>	<b>-2,472</b>
Profit is attributable to owners of Sensys Gatso Group AB	-14,540	3,819	-31,366	-10,086	-1,897
Profit is attributable to non- controlling interest	-1,130	270	-2,146	-197	-575
	<b>-15,670</b>	<b>4,089</b>	<b>-33,512</b>	<b>-10,283</b>	<b>-2,472</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Translation differences	9,095	-2,920	19,792	17,640	18,587
<b>Total other comprehensive income for the period, net after tax</b>	<b>9,095</b>	<b>-2,920</b>	<b>19,792</b>	<b>17,640</b>	<b>18,587</b>
<b>Total comprehensive income for the period</b>	<b>-6,575</b>	<b>1,169</b>	<b>-13,720</b>	<b>7,357</b>	<b>16,115</b>
Number of shares (thousands)	860,024	860,024	860,024	860,024	860,024
Earnings per share (SEK)	-0.02	0.00	-0.04	-0.01	0.00

## Consolidated balance sheet

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018	31 Dec 2017
<b>Assets</b>				
Goodwill	264,973	251,026	251,257	239,166
Customer contracts and relations	14,599	27,340	24,076	35,459
Brand	13,691	15,215	14,654	16,191
Product and software development	30,435	35,091	34,399	38,879
Property, plant and equipment	45,931	9,706	8,666	7,245
Fixed assets in operations	45,381	27,858	33,340	27,856
Deferred tax assets	40,803	34,769	34,003	38,439
Other non-current assets	346	358	351	361
Trade and other receivables	85,612	52,040	56,935	71,322
Inventories and work in progress	112,013	67,318	71,864	63,615
Other current assets	28,680	27,237	25,511	26,805
Cash and bank balances	33,983	62,388	76,607	58,931
<b>Total assets</b>	<b>716,447</b>	<b>610,346</b>	<b>631,663</b>	<b>624,269</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity	439,973	444,931	453,689	420,072
Long-term liabilities	25,647	158	0	252
Long-term liabilities towards shareholders	40,441	48,678	48,692	55,908
Provision	6,751	7,199	6,907	7,725
Deferred tax liabilities	11,766	18,651	16,824	23,226
Short-term liabilities	56,284	16,128	0	10,200
Short-term liabilities towards shareholders	10,730	10,180	10,199	15,993
Trade and other payables	42,350	28,573	27,996	30,695
Other current interest-free liabilities	82,505	35,848	67,356	60,198
<b>Total shareholders' equity and liabilities</b>	<b>716,447</b>	<b>610,346</b>	<b>631,663</b>	<b>624,269</b>

## Consolidated statement of changes in equity

	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
<b>TSEK</b>					
<b>Beginning of period</b>	<b>446,548</b>	<b>426,260</b>	<b>453,689</b>	<b>420,072</b>	<b>420,072</b>
New share issue, net	0	17,502	0	17,502	17,502
Net profit for the period	-14,540	3,819	-31,362	-10,086	-1,897
Minority interest in subsidiaries	-1,130	270	-2,146	-197	-575
Other comprehensive income	9,095	-2,920	19,792	17,640	18,587
<b>Total comprehensive income for the period</b>	<b>-6,575</b>	<b>1,169</b>	<b>-13,716</b>	<b>7,357</b>	<b>16,115</b>
<b>End of period</b>	<b>439,973</b>	<b>444,931</b>	<b>439,973</b>	<b>444,931</b>	<b>453,689</b>

## Cash flow statement

	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan- Dec 2018
<b>TSEK</b>					
<b>Operating profit</b>	<b>-17,845</b>	<b>8,786</b>	<b>-38,271</b>	<b>-6,702</b>	<b>589</b>
Items with no effect on cash flow	14,242	9,582	40,414	25,389	34,457
Financial items	-3,752	-2,269	-4,333	-2,230	-486
Tax paid	-484	1,371	-1,026	715	-310
<b>Funds contributing from operating activities</b>	<b>-7,839</b>	<b>17,470</b>	<b>-3,216</b>	<b>17,171</b>	<b>34,249</b>
Change in working capital	-16,030	-5,821	-43,917	-6,899	15,058
<b>Cash flow from operating activities</b>	<b>-23,869</b>	<b>11,649</b>	<b>-47,133</b>	<b>10,272</b>	<b>49,307</b>
Cash flow from investing activities	-9,035	-5,976	-23,803	-12,773	-21,314
	<b>-32,904</b>	<b>5,673</b>	<b>-70,936</b>	<b>-2,501</b>	<b>27,993</b>
<b>Financing activities</b>					
New share issue	0	0	0	0	0
New loan	0	0	0	0	0
Repayment of loan	-2,053	-40	-7,657	-114	-266
Repayment/usage of credit facilities	22,425	-6,797	46,229	5,928	-10,200
Repayment of loan to shareholders	-10,199	0	-10,199	0	0
<b>Change in cash and bank balances</b>	<b>-22,731</b>	<b>-1,164</b>	<b>-42,563</b>	<b>3,313</b>	<b>17,527</b>
Liquid funds at the beginning of the period	56,804	63,579	76,607	58,931	58,931
Translation differences in liquid funds	-90	-27	-61	144	149
<b>Closing cash and cash equivalents</b>	<b>33,983</b>	<b>62,388</b>	<b>33,983</b>	<b>62,388</b>	<b>76,607</b>

## Parent company

### Statement of comprehensive income

	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan- Dec 2018
<b>TSEK</b>					
<b>Other sales</b>	829	2,250	2,822	3,913	15,047
Cost of goods sold	0	0	0	0	0
<b>Gross profit</b>	829	2,250	2,822	3,913	15,047
Selling expenses	0	0	0	0	0
Administrative expenses	-2,193	-2,642	-7,228	-8,772	-13,881
Development expenses	0	0	0	0	0
Other operating expenses/income	-5	0	-24	0	0
<b>Operating profit</b>	<b>-1,369</b>	<b>-392</b>	<b>-4,430</b>	<b>-4,859</b>	<b>1,166</b>
Net financial items	-287	-390	-747	-3,608	-1,939
<b>Profit before tax</b>	<b>-1,656</b>	<b>-782</b>	<b>-5,177</b>	<b>-8,467</b>	<b>-773</b>
Tax	0	0	0	-1,343	-1,343
<b>Profit for the period/Comprehensive income for the period</b>	<b>-1,656</b>	<b>-782</b>	<b>-5,177</b>	<b>-9,810</b>	<b>-2,116</b>

## Balance sheet

	30 Sep	30 Sep	31 Dec	31 Dec
TSEK	2019	2018	2018	2017
Product and software development	5,929	2,409	3,824	0
Shares in subsidiaries	413,952	413,952	413,952	413,952
Deferred tax assets	19,761	19,761	19,761	21,104
Receivables from Group	33,188	30,183	42,835	30,000
Other current assets	1,663	855	679	306
Cash and bank balances	14,779	26,234	21,389	37,404
<b>Total assets</b>	<b>489,272</b>	<b>493,394</b>	<b>502,440</b>	<b>502,766</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity	455,613	452,735	460,790	445,043
Long-term liabilities	0	0		0
Long-term liabilities towards shareholders	18,983	28,089	28,141	36,209
Short-term liabilities	0	0		0
Short-term liabilities towards shareholder	10,730	10,180	10,199	15,993
Trade and other payables	1,546	260	628	0
Trade and other payables from Group	0	234	81	450
Other current interest-free liabilities	2,400	1,896	2,601	5,071
<b>Total shareholders' equity and liabilities</b>	<b>489,272</b>	<b>493,394</b>	<b>502,440</b>	<b>502,766</b>

## Statement of changes in shareholders equity

	July - Sep 2019	July - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2017
<b>TSEK</b>					
<b>Beginning of period</b>	<b>457,269</b>	<b>436,015</b>	<b>460,790</b>	<b>445,043</b>	<b>364,113</b>
New share issue, net	0	17,502	0	17,502	98,336
Profit for the period/Comprehensive income for the period	-1,656	-782	-5,177	-9,810	-17,406
Stock related remuneration	0	0	0	0	0
<b>End of period</b>	<b>455,613</b>	<b>452,735</b>	<b>455,613</b>	<b>452,735</b>	<b>445,043</b>

## Quarterly data

### Consolidated statement of income, quarterly data

	2019				2018			2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Net sales</b>	<b>73,028</b>	<b>96,863</b>	<b>78,440</b>	<b>124,423</b>	<b>95,688</b>	<b>88,557</b>	<b>71,681</b>	<b>83,275</b>
Cost of goods sold	-48,272	-60,360	-49,272	-73,546	-49,006	-49,587	-46,695	-46,881
<b>Gross profit</b>	<b>24,756</b>	<b>36,503</b>	<b>29,168</b>	<b>50,877</b>	<b>46,682</b>	<b>38,970</b>	<b>24,986</b>	<b>36,394</b>
Costs	-42,601	-44,751	-41,346	-43,586	-37,896	-39,584	-39,860	-41,093
<b>Operating profit</b>	<b>-17,845</b>	<b>-8,248</b>	<b>-12,178</b>	<b>7,291</b>	<b>8,786</b>	<b>-614</b>	<b>-14,874</b>	<b>-4,699</b>
Net financial items	-63	-1,594	-465	649	-1,843	2,691	-3,182	-4,350
<b>Res Profit before tax</b>	<b>-17,908</b>	<b>-9,842</b>	<b>-12,643</b>	<b>7,940</b>	<b>6,943</b>	<b>2,077</b>	<b>-18,056</b>	<b>-9,049</b>
Tax	2,238	1,594	3,053	-129	-2,854	-3,375	4,982	-3,547
<b>Profit for the period</b>	<b>-15,670</b>	<b>-8,248</b>	<b>-9,590</b>	<b>7,811</b>	<b>4,089</b>	<b>-1,298</b>	<b>-13,074</b>	<b>-12,596</b>

## Key indicators and other information, quarterly basis

TSEK	2019				2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Operating margin (%) 1)	Neg	Neg	Neg	5.9	9.2	Neg	Neg	Neg	
Gross margin (%) 2)	33.90	37.69	37.19	40.89	48.79	44.01	34.86	43.70	
Profit margin (%) 3)	Neg	Neg	Neg	6.28	4.27	Neg	Neg	Neg	
Equity per share (SEK) 4)5)	0.51	0.52	0.53	0.53	0.52	0.50	0.50	0.50	
Cash flow per share (SEK) 6)	-0.03	0.00	-0.02	0.05	0.01	-0.01	0.00	-0.01	
Number of employees 7)	255	231	210	195	188	178	170	169	
No. of outstanding shares (thousands)	860,024	860,024	860,024	860,024	860,024	844,914	844,914	844,914	
Equity/assets ratio (%)	61.41	66.14	66.24	71.82	72.90	70.25	66.78	67.29	
Order intake (SEK thousands)	79,314	141,457	99,975	143,941	100,689	182,856	52,798	156,322	

IFRS 16 has an impact on comparability of 2019 numbers to the reported 2018 numbers. We refer to the disclosure on page 23.

- 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.

#### 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, generate considerable amounts of amortisation. Due to this, we believe that, in order to assist in understanding the operational business and growth, it is useful to consider EBITDA when assessing the financial performance.

#### Comparability of figures

As of 1 January 2019 IFRS16 has been implemented, impacting comparability of our financial performance. With IFRS16 the discounted value of future right of use of leased assets is recorded on the balance sheet as an asset with a corresponding lease liability. The asset is depreciated over time in accordance with the remaining lease period and the redemption of the liability is done through lease payments. The impact of discounting is recorded as an interest expense. Sensys Gatso Groups balance, profit and loss and cash flow is impacted by IFRS16 as follows:

<b>TSEK (as per September 30, 2019)</b>	<b>Including IFRS 16</b>	<b>IFRS 16 Impact</b>	<b>Excluding IFRS 16</b>
<b>Balance</b>			
Property, plant and equipment	45,931	-35,134	10,797
Long-term liabilities	25,647	-25,647	0
Short-term liabilities	56,284	-10,055	46,229

<b>TSEK (July-September 2019)</b>	<b>Including IFRS 16</b>	<b>IFRS 16 Impact</b>	<b>Excluding IFRS 16</b>
<b>EBITDA</b>	<b>-2,791</b>	<b>2,820</b>	<b>-5,611</b>
Depreciation tangible and intangible fixed assets	-15,054	-2,560	-12,494
<b>Operating profit (EBIT)</b>	<b>-17,845</b>	<b>260</b>	<b>-18,105</b>
Net financial items	-63	-399	336
<b>Profit before tax</b>	<b>-17,908</b>	<b>-139</b>	<b>-17,769</b>

<b>TSEK (July-September 2019)</b>	<b>Including IFRS 16</b>	<b>IFRS 16 Impact</b>	<b>Excluding IFRS 16</b>
<b>Cash flow</b>			
Cash flow from operating activities	-23,869	-2,820	-26,689
Cash flow from investing activities	-9,035	308	-8,727
Cash flow from finance activities	10,173	2,053	12,226
<b>Chang in cash and bank balances for the period</b>	<b>-22,731</b>	<b>-459</b>	<b>-23,190</b>

### 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 occur, 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 24 of the 2018 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 2018, with the exception of the adoption of the new standard IFRS 16.

In the first quarter the subsidiary to the parent company, Sensys Gatso Sweden AB, has made a group contribution to the amount of SEK 9.0 million, which has been adjusted in the comparison 2018 numbers in this report. This has a positive impact on the parent company revenue and equity for 2018 of SEK 9.0 million.

**New standards, amendments and interpretations applicable from January 1, 2019**

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Sensys Gatso's has selected the modified retrospective approach as method for first time adoption of this new accounting standard. This means 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. The implementation of IFRS 16 has an impact on the comparability of the figures in 2019 with previous years.

For calculating the IFRS16 value for the Right of Use Asset and corresponding Lease Liabilities we have excluded leases with a remaining period shorter than 12 months and leases with a total value smaller than SEK 50,000. The Incremental Borrowing Rate used to calculate the value of the Right of Use Asset and the corresponding Lease Liability is based on the category of lease asset, the duration of the contract and the region.

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 2018, 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 28 November at 10:00 CEO Ivo Mönnink and CFO Simon Mulder will present the Interim Report for the third quarter, 2019 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 by <https://tv.streamfabriken.com/sensys-gatso-group-q3-2019>

It is also possible to listen to the presentation and ask questions by phone.

#### *Dial-in numbers:*

Sweden: +46 8 505 583 50

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US: +1 8 335 268 384

The presentation in connection with this report will be published on the website.

## Financial calendar

Year-End Report January - December 2019	20 February 2020
Annual Report 2019	14-17 April 2020
Interim Report January - March 2020	30 April 2020
AGM	14 May 2020

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## AUDITOR'S REPORT ON REVIEW OF INTERIM REPORT

To the Board of Directors of Sensys Gatso Group AB (publ.), reg.nr. 556215-4459

### *Introduction*

We have reviewed the condensed interim financial information (interim report) for Sensys Gatso Group AB (publ.) as of September 30, 2019 and the nine-month period which ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### *Scope of review*

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

### *Conclusion*

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

Stockholm November 27, 2019

BDO Mälardalen AB

Johan Pharmanson  
*Authorized Public Accountant*