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13

Design
Function
Precision

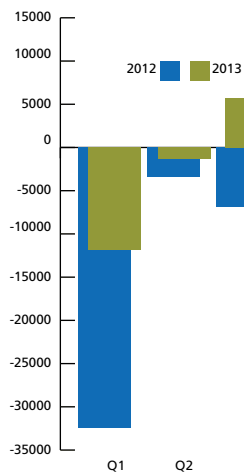
Annual Report

» *Advanced sensors and systems
for traffic informatics and traffic safety* «

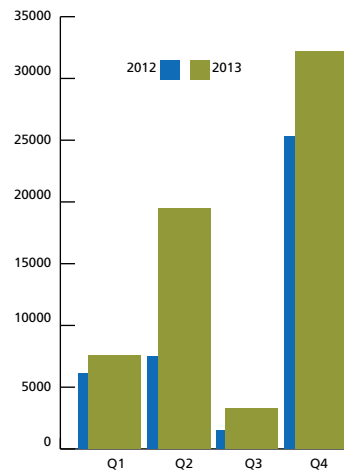
2013 highlights

- Net sales for the period SEK 62.5 million (41.0)
- Operating loss SEK -10.7 million (-41.5)
- Loss after tax SEK -10.5 million (-43.1)
- Earnings per share SEK -0.02 (-0.09).
- Cash flow per share SEK 0.07 (-0.01).
- Equity/assets ratio 79 per cent (89)
- Average number of employees 32 (32)

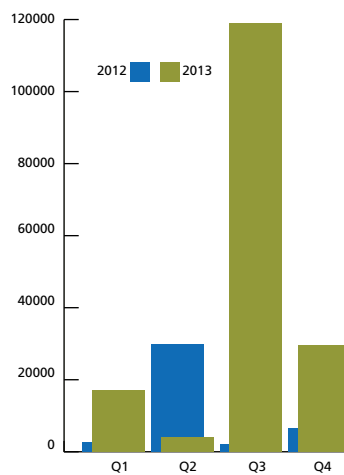
Cash flow from operating activities



Net sales



Order intake



Annual Report 2013

SENSYS Traffic is a Swedish company that is subject to Swedish laws. All values are expressed in Swedish kronor. Millions of kronor are abbreviated to SEK million and thousands to SEK '000. Numerical data within parentheses refer to 2012, unless otherwise stated. Data on market and competition conditions are SENSYS Traffic's own estimates. These estimates are based on the best and most up-to-date available information from published sources.

Financial information, both in Swedish and English, is available at www.sensys.se under Investering/Investor Relations, where a printed copy of the Annual Report may also be ordered. A copy of the Annual Report can also be obtained by calling +46 (0)36-34 29 80 or faxing +46 (0)36-12 56 99 or by e-mail at info@sensys.se.

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BUSINESS CONCEPT

SENSYS Traffic delivers advanced sensors and systems for traffic safety and traffic informatics.



VISION

SENSYS Traffic shall be the leading global supplier of advanced traffic system solutions that save lives, save the environment and other social resources.



STRATEGY IN BRIEF

- SENSYS Traffic AB's key competitive asset is its unique in-house-developed tracking radar sensor. Sensys has now reached the third generation of its tracking radar, a sensor which offers superior precision and functionality, giving customers unique benefits in the form of legal security, coverage of wide, multiple-lane roads and high-performance registration of traffic violations, in terms of the number of violations as well as the number of types of violation.
- SENSYS Traffic AB also competes with the market's best image quality, achieved through the camera strategy adopted by Sensys, which differs from the most common type of industry camera strategy in the market. High image quality enables registration of violations across wide roads while also ensuring high performance in terms of driver identification and prosecution. Sensys' camera strategy also offers cost benefits over industry cameras.
- SENSYS Traffic AB's outsourced delivery chain is central to the company's competitiveness, as it gives Sensys a high delivery capacity with short lead times. It also cuts the cost compared with an in-house production model.
- SENSYS Traffic AB markets its products through partners, agents and distributors, but the key to success is Sensys' own contacts with the end customers. A strong emphasis is therefore put on the sales organisation and sales support functions, and on high-quality contacts with end customers. The aim is to ensure that the company is able to adapt its offering to the customer's requirements, in terms of systems, services and business models. Sensys will, for instance, adapt its business model to private operators to ensure a better fit with their cash flows, in cases where these customers have revenue-sharing arrangements with government agencies or receive a fixed monthly fee to operate traffic safety systems on behalf of the agencies.



This is SENSYS Traffic AB

Smart technology prevents traffic accidents and saves lives

SENSYS Traffic develops, markets and sells traffic safety and traffic informatics systems to police authorities, highway authorities and private concessionaires worldwide. The systems are chiefly used for recording speed and red-light violations. All products are based on a unique, company-developed tracking sensor technology which enables a high degree of precision and legal security. SENSYS Traffic was founded in 1982 and has been listed since 2001 on the Small Cap list of the NASDAQ OMX Nordic Exchange in Stockholm.

SYSTEM SOLUTIONS FOR INCREASED TRAFFIC SAFETY

SENSYS Traffic offers system solutions and products for increased traffic safety. Working with the customer, e.g. highway and police authorities, solutions are adapted to meet local requirements and a variety of objectives.

The largest product categories include automatic speed and red-light monitoring systems, designed to prevent traffic accidents and thereby save lives and save social resources.

"We have delivered thousands of systems to nearly 30 countries and are a market leader in the Nordic traffic monitoring market, primarily through "speed cameras" in Sweden. We are delighted, and very proud, to have submitted the winning tender in the Swedish Transport Administration's procurement for the replacement and expansion of the Swedish speed enforcement system. Over the next few years we will be assisting the Transport Administration in providing delivery, installation and support," Magnus Ferlander, Director of Marketing and Business Development at SENSYS Traffic, says.

"A major contributing factor behind the Transport Administration's choice of supplier is the image quality we offer. In addition to the high level of legal security that is SENSYS Traffic's hallmark, the company's superior image quality is the most obvious difference compared with what many cameras have offered previously," Magnus Ferlander continues. "Automatic traffic control has achieved broad acceptance among the Swedish public. From various quarters we now receive many more requests for additional cameras rather than demands for fewer cameras. This must be seen as a vote of approval for how the system is used in Sweden. It also shows that the cameras play an important role in realising Vision Zero, the goal of reducing the number of fatalities and serious injuries on Swedish roads to zero."

SENSYS Traffic has also been working with the Swedish Transport Administration to develop a system for detecting defective pantographs on electrically powered trains, known as an APMS system. These systems are currently installed in Sweden, Finland, Norway, the Netherlands, the UK and China among other countries.

MARKET

The market for traffic safety systems is a global niche market with a large inherent growth potential. The fundamental driving force for growth is increased awareness of the problems caused by traffic and the measures that can be taken to increase traffic safety. Acceptance of this type of system is increasing among the

general public in many countries. According to the World Health Organisation (WHO), around 1.3 million people die, and 20 to 50 million are injured in traffic each year. Automatic traffic enforcement, such as speed and red-light enforcement, has proved to be an effective way of increasing traffic safety and protecting lives. From an international perspective, traffic safety systems also contribute to increased income for the state by recording and documenting traffic violations leading to the imposition of fines.

RED LIGHT TECHNOLOGY REVERSES NEGATIVE ACCIDENT STATISTICS

We are very pleased that Washington, D.C. recently chose Swedish technology from SENSYS Traffic to replace its existing systems for speed and red light enforcement. "We are a global supplier of safety systems also for red light crossings, and our technology in this field is used successfully in a number of countries," Magnus Ferlander says.

"Side-on collisions, which are relatively common at red light crossings, often cause serious damage to passengers in the car that is hit. Our technology can reverse the negative trend at accident-prone crossings thanks to its strongly preventive effect. Drivers are given an incentive to respect the traffic lights, round the clock. Image material and other information from these system also help the police and insurers in their investigative work in cases where accidents do happen," Magnus Ferlander says.

From a Swedish perspective SENSYS Traffic sees wide future opportunities to use traffic safety cameras also in other environments, such as outside schools and nursing homes and in other environments where high speeds or noise is a systematic problem. The company offers a type of system which warns pedestrians and other unprotected road-users through sound and light signals if a car approaches a crossing next to a school at high speed, for instance. If the car slows down no further action is taken, but if the car fails to slow down the vehicle will be photographed and the driver identified. This type of solution is optimised for use at specific locations where unprotected individuals are exposed to traffic. SENSYS Traffic also offers systems for mobile traffic enforcement, which are suitable for use in densely populated areas or why not in areas where road works are underway. "It's all about giving us drivers good incentives to change our traffic behaviour in a safer direction," Magnus Ferlander concludes.

OUR CUSTOMERS

SENSYS Traffic's end customers are primarily police and highway authorities, although we also deliver to private operators (service providers) operating systems under contract to public authorities. Customer relations are characterised by partnerships that often lead to repeat orders. Today, our largest customers are the Swedish Transport Administration and Sensys America in the US.

SENSYS Traffic is currently targeting both the public authorities market and the service providers market.

Police and public authorities often have lengthy procurement procedures that start with the customer's problem insight and a traffic safety ambition, on the basis of which a strategy is formulated. This is frequently followed by a trial period during which pilot tests are conducted to ensure, among other things, that the anticipated effect can be achieved. Finally, the customer chooses one or more suppliers with whom they negotiate and form a contract. Ordinarily, this final decision is made at a high political level. This means that project delays are the rule rather than the exception.

SENSYS Traffic has a couple of private operators (service providers) as customers in the USA and Malta. The procurement process among service providers is generally conducted on a more commercial basis with greater emphasis being placed on the system's long-term, income-generating capacity. This type of procurement is becoming more widespread and is standard practice in many parts of the world, which is why SENSYS Traffic is adapting its offer and business model to meet the needs of this particular customer group, too.

SENSYS Traffic provides after-market services for the components it delivers. These may consist of spare parts, technical support or upgrades of existing systems with options that include increased functionality. SENSYS Traffic's sales of after-market services have increased in recent years.

OUR PARTNERS

On the delivery side, SENSYS Traffic has two partners for system installation and cabinet manufacture, partly to secure a high delivery capacity, and partly to ensure we have access to the best possible technology for sub-systems and components.

In addition to this, SENSYS Traffic has a strategic collaboration with partners for the development of flash and lighting technology, image processing, licence plate recognition and complementary sensor technology. SENSYS Traffic also collaborates with the foremost experts in traffic safety in Sweden, thus contributing to the creation of added value for international customers over and above that of the equipment itself.

ORGANISATION

SENSYS Traffic had 32 employees on 31 December 2013. Around half of the employees (13 persons) work in research and development. We have six people working in marketing and sales, while nine work on after-market services, such as installations, service, support and training.

SENSYS TRAFFIC'S RESPONSIBILITY

A key concern for SENSYS Traffic is to run our operation with a high level of business ethics. The foundation for SENSYS Traffic's "Code of Conduct" is the United Nation's Universal Declaration of Human Rights. SENSYS Traffic encourages its business partners to observe these principles. To ensure a common standard of behaviour among all SENSYS Traffic staff, since 2008 the company has been operating in accordance with a policy covering issues such as bribery, corruption and interaction with other parties in the industry. The policy is updated once a year and distributed to staff and customers.

SOCIAL DIALOGUE

SENSYS Traffic engages in continual consultations and discussions with public bodies on issues of current concern. The main government agencies whose remit touch upon the company's activities are the Swedish Transport Administration and VTI (the National Road and Transport Research Institute). Issues of common concern for the industry are also addressed within the framework of the reference group on the Vision Zero Initiative, the Swedish government's initiative for exporting Swedish know-how and Swedish solutions for Vision Zero. SENSYS Traffic is also engaged in a dialogue with SIS on the ISO 39001 Road Traffic Safety Management Systems standard.

Sitecode	Date	Time	Distance	Pic	Type	Lane	Class
SENSYS01	2012-08-31	17:04:09.4	68.0 m	004A	ST	1	S
Radar ID	Speed	Sign Speed	Sign Speed L.				
551BA9130000	129.4 km/h	120 km/h	80 km/h				



VID – On multi-lane roads there are often several cars on the "report line". A system equipped with SENSYS' in-house-developed VID software makes it possible to fine the right car even when there are several cars on the report line. The speeding car is marked with a green box while cars that are not speeding are marked with a red cross.

A foundation for strong, sustainable growth has been laid

Last year was very successful for SENSYS Traffic, and has put us in a good position to build a larger, profitable and more predictable business over the coming years. Strengthened by our performance in 2013, we are now embarking on a drive to make a much bigger footprint on markets around the world with the aim of generating strong, sustainable growth for SENSYS Traffic.

Our single greatest achievement in 2013 was the award to SENSYS Traffic of the contract for Sweden's Automatic Traffic Control (ATC) system in the Swedish Transport Administration's procurement. This led to the largest deal in the history of SENSYS Traffic, with a potential contract value for equipment of over SEK 500 million, as well as an undertaking to provide service and maintenance over several years. We have thus secured the production volumes we need to achieve profitability over the coming years and are in a position to build a service business that will provide a good complement to our existing operations.

Last year was also marked by several successes outside Sweden, where we gained five new customers in four new markets. Our international order intake grew by an impressive 53 per cent to SEK 57 million. We ended 2013 in a good financial position after strengthening our liquidity, partly in connection with the expiry of the last warrant in the autumn. We thus have a strong platform on which to build. In the next few years we will be harnessing our sales resources to create strong, sustainable growth with the aim of building a significantly larger SENSYS Traffic.

OFF TO A FLYING START IN SWEDEN

Our deal with the Swedish Transport Administration consists of two contracts, one for measurement systems and maintenance and a slightly smaller contract for measurement cabinets. The contracts were won against tough international competition, with the choice falling SENSYS Traffic as having the best image quality and the most competitive tender.

The Transport Administration is working actively to achieve Vision Zero, a key part of which is to reduce speeds on Swedish roads. Their minimum undertaking under the contract is for SEK 110 million, covering the replacement of 700 of a 1,100 currently installed measurement systems in the Swedish ATC system during the

first three years of the contract, which is extendable for a further six years. The Transport Administration's ambition is to replace all 1,100 systems and to expand the system at a rate of 200-300 systems per year.

These ambitious targets have given us a flying start to the project. In 2013 we invoiced SEK 26 million for deliveries completed in the fourth quarter, and in February 2014 we received an order worth SEK 85 million for the current year. After only seven months the Transport Administration has thus exceeded its minimum undertaking of SEK 110 million. To this must be added the value of installation, commissioning and maintenance services. For our service and maintenance undertaking we are currently building a service organisation which is expected to generate initial annual sales of SEK 10-20 million, a figure that is set to increase in line with the expansion of the ATC system.

In addition to the value of the contract, our Swedish ATC system will serve as an excellent reference for our export ventures. As we now have a direct relation with the Transport Administration, unlike before, our reference will be much stronger for our international customers.

INCREASED GLOBAL DEAL ACTIVITY

In 2013 we also started to deliver to another strong reference, Washington, D.C. in the United States. The framework agreement which our US partner concluded in 2012 covers the delivery of speed and red light systems until 2015 and is extendable to 2017. We look forward to continuing to deliver products and services to Washington, D.C. as well as other parts of the United States.

We strengthened our position in Middle East through new contracts from Saudi Arabia, Jordan and the United Arab Emirates. These markets will be important for our growth in coming years.

PILOTS PAVE WAY FOR MAJOR RAIL DEALS

In our rail business we currently have several pilot installations that could lead to major deals, and we are marketing our offering to several new markets for pilot installations. One of the most interesting pilot projects is that in the UK, which was installed in 2013 and is now being evaluated. If this pilot is followed by additional deals, it would give us a strong reference for other markets, both in and outside Europe.

AGGRESSIVE FOCUS ON GROWTH

SENSYS Traffic has adopted a strategy for growth that is based on the following five points:

- » that our Swedish business will generate strong growth in 2014-2016,
- » the establishment of a service business and service organisation in Sweden,
- » annual growth in SENSYS Traffic's 31 existing markets,
- » the development of our rail business, and
- » a strategic effort to establish a presence in a handful of new volume markets, each of which could generate volumes equivalent to our Swedish deal in three to five years' time.

This will involve an aggressive focus as we step up our marketing activities and expand our presence in our existing markets. While we previously relied largely on partners and distributors we will now be working directly with the end customers and thus to a greater extent create preferences for SENSYS Traffic as a company and for our products. We will be focusing on our existing markets, where the probability of success is significantly higher than in new markets. This is where, year after year, we will be generating underlying growth for SENSYS Traffic.

An aggressive focus because we will also be targeting a handful of new volume

I look forward with confidence to coming years of growth for SENSYS Traffic.

markets with the aim of concluding at least two more deals of similar size to our Swedish contract within the next five years. These new volume markets have been selected partly due to their existing potential and partly based on an assessment of their potential to develop into volume markets. These assessments are based on what has proved successful in the past in markets with systems for registering traffic violations as well as on macroeconomic and structural factors.

LEADING TECHNOLOGY

Through tests, operation and evaluations of procurements we have obtained confirmation that our technology continues to be leader. The performance of our tracking radar sensors is superior to that of competing radar- as well as laser-based sensors, in terms of road width, number of violation types and functionality. This gives our customers the potential to generate higher revenues as well as improved efficiency in their traffic safety work. Our camera strategy provides superior image technology, ensuring higher efficiency, in terms of successful prosecutions as well as back office administration.

We will continue to develop these key competitive advantages in order to maintain our technological lead. Yet we are also adding other values to our products, the most important of which is perhaps our new design concept, which allows us to adapt the design to individual customer requirements, something that has become an important and differentiating factor in many markets.

COMING YEARS OF GROWTH

I look back at 2013 from several angles: from the perspective of our financial stability, our well-filled order book and the strength of our strategy. I look forward with confidence to coming years of growth for Sensys.

Jönköping, March 2014


Johan Frilund, CEO



Share information

SENSYS Traffic's share is listed on the Small Cap section of the NASDAQ OMX Nordic Exchange in Stockholm. As at 30 December 2013, the share capital amounted to SEK 27,061,716 divided into 541,234,314 shares. Each share gives the right to one vote.

SHARE PRICE

The highest price paid for SENSYS Traffic shares in 2013 was SEK 1.45 (8 Jul) and the lowest price paid SEK 0.58 (22 Jan). The last price paid on 30 December 2013 was SEK 1.06 (0.49).

In 2013, a total of 204,443,854 (154,059,268) SENSYS Traffic shares were traded on the Stockholm Stock Exchange. At the end of the year, the market value amounted to SEK 574 million (235).

NEW SHARES

In connection with the company's rights issue in April 2012 each subscriber was allocated two warrants (TO3 and TO4) for each interim certificate.

The subscription period for each warrant was predefined. TO3 warrants could be exercised to subscribe for new shares during the period 1–31 March 2013 while TO4 warrants were exercisable during the period 1–31 October 2013.

In 2013 the company's warrants, TO3 and TO4, were exercised. For TO3, 97 per cent of all issued warrants were exercised, which increased the number of shares by 30,909,453, while 95 per cent of all TO4 warrants were exercised, increasing the number of shares by 30,486,975.

DIVIDEND POLICY

The Board of Directors of SENSYS Traffic has not established a dividend policy and does not believe that a dividend will be paid in the near future. The profitability of the company has fluctuated and the fundamental principle of the Board is to reinvest any pre-tax profit in the business until a stable level of profitability has been reached. Once sustained profitability has been achieved, however, the ambition of the Board is to establish a long-term and, over time, stable dividend policy. When this occurs, consideration will be given to the company's profit level, financial position and other factors thought to be of relevance by the Board.

SHAREHOLDER CATEGORIES

	Capital %	Votes %
Overseas shareholders	11.6	11.6
Swedish shareholders	88.4	88.4
of whom		
- Institutions	37.7	37.7
- Private persons	50.7	50.7

OWNERSHIP CONCENTRATION

	Capital %	Votes %
The 10 largest shareholders	36.2	36.2
The 20 largest shareholders	44.8	44.8
The 100 largest shareholders	63.8	63.8

THE 20 LARGEST SHAREHOLDERS

The shares in SENSYS Traffic AB were held as of 30 December 2013 as follows:

	No. of shares	Proportion of share capital/ votes%
Danske Invest Sverige Fokus	68,513,991	12.66
Inger Bergstrand	29,200,674	5.40
Försäkringsaktiebolaget, Avanza Pension	28,975,235	5.35
AMF Aktiefond Småbolag	14,850,000	2.74
Nordnet Pensionsförsäkring AB	11,629,457	2.15
Per Wall	11,368,489	2.10
Danica Pension	9,658,294	1.78
SEB Life (Ireland) ASS CO LTD	8,115,059	1.50
A.N Holding AB	7,303,698	1.35
UBS AG Clients Account	6,514,811	1.20
State Street Bank & Trust Com., Boston	6,000,000	1.11
JP Morgan Bank	5,472,865	1.01
Skandia, Försäkrings	5,444,163	1.01
Peter Svensson	5,274,623	0.97
Robur Försäkring	5,052,389	0.93
Clarence Bergman	4,564,810	0.84
Services AB, Arding Language	4,000,000	0.74
Leif Klevbo	3,851,850	0.71
Tomas Klevbo	3,555,217	0.66
Case (Fond)	3,500,000	0.65
Total, 20 largest shareholders	242,845,625	44.86%
Total, other shareholders (10,884)	298,388,689	55.14%
Total	541,234,314	100.0%

Directors' Report

The Board of Directors and Chief Executive Officer of SENSYS Traffic AB (publ), corporate registration number 556215-4459, hereby present the Annual Report & Accounts for the financial year ended 31 December 2013.

OPERATIONS

SENSYS Traffic develops and markets sensors and traffic informatics systems. The systems are primarily used for the measurement and recording of speed violations and driving against a red light.

INCOME AND EARNINGS

Income for the full year was SEK 62.5 million (41.0). The single largest projects referred to the delivery of red light systems to Washington, D.C. and of a prototype and serial version for the Swedish Transport Administration. The company will recognise income from the contract with the Transport Administration gradually, as the costs for the project are incurred. The gross margin was 43.2 percent (27.2). The lower gross margin for 2012 was due to aggressive pricing of inventory products.

The loss before tax was SEK -10.5 million (-41.4). The loss after tax was SEK -10.5 million (-43.1). In 2012 a deferred tax asset was restated, resulting in a tax expense for the company of SEK 6.6 million. The restatement was done in response to the Swedish Parliament's decision to lower the rate of corporation tax for 2013 to 22 per cent.

The figures for 2012 include a settlement with Telvent relating to the discontinued project in Saudi Arabia. Under the terms of the settlement, SENSYS Traffic received SEK 6.9 million on 12 April 2012 out of a total claim on Telvent of SEK 16.7 million. The remaining SEK 9.8 million was recognised as sales costs in 2012. This brings the arbitration process between SENSYS Traffic and Telvent to an end.

LIQUIDITY

Cash and cash equivalents amounted to SEK 49.2 million (12.5) at the end of the year, of which SEK 0.8 million (0) referred to short-term investments. The company also has SEK 10 million in frozen assets, which will be held in a bank account for 30 months under a performance bond in the contract with the Swedish Transport Administration.

Cash flow from operating activities during the year amounted to SEK 19.7 million (-32.5)

In 2013 the company's two warrant schemes, TO3, which became due for payment on 31 March, and TO3, which became due on 31 October, were exercised. TO3 raised SEK 8.9 million for the company after issue costs while TO4 raised SEK 18.1 million after issue costs. The subscription prices were SEK 0.30 and SEK 0.60, respectively.

PER SHARE DATA AND KEY PERFORMANCE INDICATORS

Earnings per share were SEK -0.02 (-0.09) and equity per share was SEK 0.21 (0.20). The equity/assets ratio at year-end was 79 per cent (89).

LEGAL STRUCTURE

SENSYS Traffic consists of SENSYS Traffic AB (publ) and the wholly-owned subsidiary Sensys International AB. The shares in the subsidiary company were acquired in July 2010. The total acquisition cost amounted to the company's shareholders' equity of SEK 50 thousand. The subsidiary company is wholly dormant, as it has been since its formation. The purpose of the acquisition is merely to meet the terms of an international procurement. SENSYS Traffic has no intention of pursuing any activities through the subsidiary within the foreseeable future.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant events have taken place further to the end of the financial year that could have an effect on this Annual Report.

EMPLOYEES

The average number of employees was 32 persons (32). The number of employees at the end of the period was 32 (32).

ENVIRONMENTAL ISSUES

The environment is a consideration in SENSYS Traffic's development of new products, its improvement of existing products, and during deliveries and business trips involving employees. SENSYS Traffic supplies systems for traffic informatics. The functionality of these systems contributes to lower carbon dioxide emissions as a result of reduced speeds and more even flows of traffic.

SENSYS Traffic complies with the applicable WEEE Directive (Waste of Electric and Electronic Equipment), which stipulates how future used electrical equipment will be processed, and the RoHS Directive (Restriction on Hazardous Substances), which aims to remove hazardous substances from products.

SENSYS Traffic has been certified under the ISO 9001:2008 standard since June 2012.

RESEARCH AND DEVELOPMENT

SENSYS Traffic prioritises research and development in order to maintain and strengthen the company's market position. Remaining at the forefront by offering innovative solutions is fundamental to what we do. Since its inception SENSYS Traffic has worked with universities and institutes of higher education, offering students the opportunity to write papers with the assistance of the company.

WORK OF THE BOARD OF DIRECTORS

The members of the Board have long and extensive experience of several different sectors both in Sweden and internationally. The Board includes directors with technical as well as commercial expertise. The Board proceeds according to an established agenda. The Board shall hold four meetings per financial year. Other meetings may be held when necessary. The Board shall primarily devote its time to all-embracing and long-term issues as well as issues that are of significance for the company. Furthermore, the Board shall continuously assess how the Chief Executive Officer fulfils his responsibilities regarding ongoing operations.

The Chairman of the Board represents the Board both externally and internally. The Chairman shall lead the work of the Board, ensure the Board fulfils its tasks in accordance with prevailing legislation and the Articles of Association, and ensure meetings are held when required.

The CEO is responsible for ongoing administration according to the guidelines and instructions provided by the Board. In accordance with separate instructions, the CEO shall refer to the Board all ques-

tions that are of fundamental significance, or of unusual character or of considerable value. The registered office of the company is located in Jönköping in the Municipality of Jönköping, Sweden.

Policies concerning remuneration and other conditions of employment for SENSYS Traffic's senior executives

The Annual General Meeting in 2013 established policies for the remuneration of the company's senior executives. The company's senior executives include the CEO and five members of SENSYS Traffic's senior management. The company endeavours to offer remuneration that is consistent with market terms. Remuneration packages are subject to approval by the Board of Directors acting in concert with the Chief Executive Officer. The criteria shall be based on the importance of the duties performed, competence requirements, experience and performance and that the remuneration shall consist of the following components:

- » Fixed salary
- » Variable remuneration
- » Pension benefits
- » Other benefits and severance terms

Salaries and remuneration of the CEO and other senior executives for 2013 are listed in Note 1.

Proposed guidelines for remuneration and other employment conditions of the company's senior executives in 2014 (corresponding with the previous year)

The Board of Directors proposes to the Annual General Meeting of Shareholders that the following guidelines be adopted with regard to the remuneration and other employment conditions of the company's senior executives. The Board's proposal corresponds to previous years' remuneration principles and is based on contracts and agreements already entered into between the company and each executive.

The company's management team for 2013 is composed of Johan Frilund (VD), Göran Löfqvist, Helena Claesson, Kjell Lundgren, Magnus Ferlander and Jörgen Andersson.

The company shall offer market oriented total remuneration at prevailing market conditions that enables the re-

cruitment and retention of senior executives. Remuneration of the company's senior executives shall consist of a fixed salary, variable remuneration, pension and other remuneration. Together, these various parts shall comprise each individual's total remuneration.

Fixed salary and variable remuneration shall together form the employee's salary. The fixed salary shall take into consideration each individual's area of responsibility and experience. The variable remuneration shall depend on each individual's fulfilment of quantitative and qualitative goals. For the CEO and other senior executives the variable remuneration is based on the company's order intake and net sales for the financial year, and is subject to an upper limit (incl. social charges) of 50 per cent of the fixed salary, i.e. SEK 3,500 thousand, of which SEK 1,000 for the CEO.

For the financial year 2013 the CEO and other senior executives received the maximum variable remuneration.

As previously, the Chief Executive Officer shall benefit from a supplementary pension scheme with a premium that represents approximately 25 per cent of the current annual salary. Other members of the company's management team shall have the right to retirement pensions as per the Swedish ITP plan or equivalent. The retirement age is 65 years.

Other remuneration and benefits shall be at market conditions and contribute to enabling each respective senior executive to fulfil his/her duties. The employment contract of the Chief Executive Officer includes termination conditions. According to this contract, there is a reciprocal notice of termination of twelve months. The customary notice of termination applies to other members of the company's management team. The salary shall remain unchanged during the period of notice of termination. The Board shall have the right to deviate from the above guidelines should the Board deem in individual cases that special grounds exist to motivate such deviation.

RISKS

A description of potential risks and how these are managed is given in Note 20.

SHARE INFORMATION

There are no limitations on the right to assign shares of SENSYS Traffic (first refusal). Nor are there any limitations on how many shares each shareholder may vote at general shareholders' meetings. The company is not aware of any agreements between shareholders which could entail a limitation in the right to assign shares. No significant changes in the ownership structure took place in 2013. For more information, see page 10, Share information and ownership structure.

OUTLOOK FOR 2014

Through the securing of the contract with the Swedish Transport Administration, extensive replacement, renewal and maintenance of Sweden's ATC systems, and the order worth SEK 85 million received after the end of the year, total sales to the Transport Administration in 2014 are estimated at SEK 90-110 million. As of 1 April 2014 Sensys will also be performing installation, commissioning and maintenance services for the ATC systems. These are not included in the value of the order and explain why Sensys' estimate exceeds the order. The above estimate does not include the order backlog for delivery during the year that Sensys had at the beginning of 2014 or any additional orders received in 2014. Due to the uncertainty concerning lead times and the scope of such orders, Sensys is not providing any forecast for sales other than the above, i.e. a minimum of SEK 100-120 million for 2014. Subject to any delays in deliveries to the Swedish Transport Administration that are due to delays beyond the control of Sensys, for instance, due to restricted access to the locations or unforeseen events in the supply chain.

PROPOSED APPROPRIATION OF PROFIT OR LOSS

The Board of Directors and Chief Executive Officer propose that the loss for the year be charged to retained earnings:

Share premium reserve	88,754,140
Retained earnings	-16,537,477
Loss for the year	-10,523,125
Total	61,693,538

In view of the above and other information obtained by the Board, the Board deems that no dividend should be paid in respect of 2013.



Corporate Governance Report 2013

SENSYS Traffic is a Swedish public limited liability company with corporate registration number 556215-4459. The company has its registered office Jönköping and is listed on the Small Cap list of the NASDAQ OMX Stockholm exchange. The governance of the company is based on external as well as internal governing documents.

EXTERNAL GOVERNANCE SYSTEMS

The external governance systems, which provide a framework for corporate governance at SENSYS Traffic, include the Swedish Companies Act and Annual Accounts Act. Furthermore, SENSYS Traffic observes the terms of the listing agreement with NASDAQ OMX Stockholm ("the Stockholm Stock Exchange") and the Swedish Corporate Governance Code.

Governance, management and control are spread among the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer in accordance with Swedish corporate law, the Swedish Corporate Governance Code and the company's Articles of Association.

INTERNAL GOVERNANCE SYSTEMS

The most important internal governing document is the Articles of Association adopted by the general shareholders' meeting followed by the rules of procedure for the Board of Directors and the CEO instructions. The company has

also adopted a number of policies and guidelines containing binding rules for the company.

APPOINTMENT AND DISMISSAL OF BOARD MEMBERS

The Articles of Association contain no specific provisions on the appointment or dismissal of Board members.

SHAREHOLDERS

SENSYS Traffic's shares have been listed on the Stockholm Stock Exchange since 2001. SENSYS Traffic has a share capital of SEK 27.1 million. The number of outstanding shares of SENSYS Traffic at year-end was 541,234,314 and the number of shareholders 10,884. All shares carry the same voting rights and entitle the holder to the same share of company's earnings and capital. For further information about the ownership structure, trading and share price movements, see page 10.

The Articles of Association do not contain any conditions concerning voting right restrictions.

ANNUAL GENERAL MEETING

The highest decision-making body is the Annual General Meeting. Shareholders who wish to participate in the Annual General Meeting must be entered in the register of shareholders five working days before the Annual General Meeting and notify the company in accordance with the notice of the meeting. Notice of the Annual General Meeting is given no earlier than six weeks and no later than four weeks before the Annual General Meeting by means of an advertisement placed in the publications Post and Inrikes Tidningar, as well as on the company's website. The fact that notice of the AGM has been given is advertised in Dagens Industri.

ARTICLES OF ASSOCIATION

The Articles of Association of SENSYS Traffic AB state that the company's business is to develop and market traffic enforcement and traffic informatics products. The Board of Directors shall consist of at least three and no more than seven Board members with no more than three Deputy Board members. The Board of Directors shall have its registered office in Jönköping in the Municipality of Jönköping. The company's accounts

shall be examined by one or two auditors with up to two deputy auditors or a registered auditing firm.

ANNUAL GENERAL MEETING 2013

The Annual General Meeting of Shareholders in SENSYS Traffic was held on Thursday 16 April 2013 in Jönköping. 22 (15) shareholders or their representatives, were present at the Meeting, representing approximately 17 per cent (9) of the votes. Peter Svensson was elected Chairman of the Meeting. All Board members elected by the AGM were present, with the exception of Torbjörn Sandberg and Gunnar Jardelöv.

The Chief Executive Officer informed the Annual General Meeting of the development and position of the company and commented on the results for 2012 and the first quarter of 2013. During the Annual General Meeting, shareholders were given the opportunity to ask questions, which were answered during the AGM.

RESOLUTIONS

The minutes of the AGM can be found on SENSYS Traffic's website. The following are some of the resolutions passed by the AGM:

- » That no dividend be paid for the financial year 2012, in accordance with the proposal of the Board of Directors and CEO (SEK 0.00 per share for financial year 2011).
- » That the Board of Directors should consist of 6 Board members (6), all of whom were re-elected: Jeanette Jakobsson, Anders Norling, Claes Ödman, Ingemar Skogö, Torbjörn Sandberg and Gunnar Jardelöv.
- » Re-election of Chairman of the Board Peter Svensson.
- » The AGM adopted the Annual Report for 2012 submitted by the Board of Directors and Chief Executive Officer, passed a resolution on the appropriation of the company's profits and discharged the Members of the Board and the Chief Executive Officer from personal liability.
- » That remuneration of the Board of Directors and auditors should be in accordance with the proposal of the nominating committee. A resolution was also passed on guidelines for the remuneration of senior executives.

Re-election of Öhrlings PricewaterhouseCoopers (PwC) as auditing firm with the auditors Martin Odqvist and



Magnus Brändström for the period until the Annual General Meeting 2014.

NOMINATING COMMITTEE

In accordance with a resolution passed at the 2013 AGM, a nominating committee was elected with the task of presenting proposals concerning the number of Board members and the composition of the Board of Directors. The nominating committee consists of Lars Gunnar Bertson, Jan Johanson (chairman), Anders Bergstrand and Andre Vatsgar.

In 2009 the nominating committee performed an assessment of the work of the Board as well as its size and composition on the basis of requirements contained in the Swedish Corporate Governance Code. The nominating committee's proposals with regard to the election and remuneration of Board members was presented in the notice of the Annual General Meeting as well as on the company's website.

No remuneration has been paid for the work of the nominating committee.

All shareholders are entitled to approach the nominating committee with proposals concerning the Members of the Board and remuneration. Proposals must be sent to the chairman of the nominating committee. No such proposals were received before the Annual General Meeting in 2013.

BOARD OF DIRECTORS

The Board of Directors makes decisions relating to SENSYS Traffic's strategic focus, funding, investments, acquisitions, sales, organisational issues, and rules and policies.

The Board monitors business operations partly through their own work and partly through periodical reporting. Informal contact is also maintained among the members of the Board. In financial year 2009, the Board held eight minuted meetings. Following election at the Annual General Meeting, a Board meeting was held during which resolutions were passed concerning signing for the company, the Board's rules of procedure, CEO instructions and scheduled Board meetings throughout the year. Four of the Board meetings were held before interim reports. The CEO took part in all the Board meetings to present the reports. During 2013, Chief Financial Officer Helena Claesson performed the secretarial duties. For information on the Chief Executive Officer, see page 37 of the Annual Report.

The Board has also held two minuted strategy meetings with the company's management.

Special committees

The Board does not include any special committees.

The whole Board takes responsibility for and makes decisions concerning the salaries of the CEO and the company's management, other conditions of employment and incentives programmes on the basis of policies determined by the Annual General Meeting.

All members of the Board of Directors assume responsibility for ensuring that audit activities are conducted in an effective manner and that the company has appropriate internal control procedures in place and produces high-quality financial reports. The Board fulfils this duty by maintaining regular contact with the auditors and by examining their plan for the audit activities and the remuneration for this work.

According to the Swedish Corporate Governance Code, the majority of the elected Board members must be independent in relation to the company and company's senior executives. At least two of these must also be independent in relation to the company's largest shareholders. All members of the SENSYS Traffic's Board are independent in relation to the company and in relation to the company's largest shareholders.

ASSESSMENT OF THE WORK OF THE BOARD

The Chairman is responsible for the assessment of the work of the Board while the Chief Financial Officer compiles the assessment of the Chairman of the Board. The Chairman is also responsible for ensuring that the assessments are submitted to the nominating committee.

MANAGEMENT TEAM

The CEO leads the activities in accordance with the adopted rules of procedure governing the relationship between the CEO and Board and the CEO instructions. The CEO is responsible for keeping the Board of Directors up-to-date and for ensuring that the Board has all necessary decision guidance documents and that these are as comprehensive as possible. The CEO and management team hold regular meetings to review the company's results and plan and discuss strategic issues. At year-end the management team consisted of Johan Frilund, Helena Claesson, Jörgen Andersson, Göran Löfqvist, Magnus Ferlander and Kjell Lundgren.

The Board is responsible for ensuring that there is an effective system for internal control and risk management. Responsibility for creating a good environment for working on these issues

has been delegated to the CEO. The management team has this responsibility in its respective areas. Authorities and responsibilities are defined in guidelines, descriptions of responsibilities and authorisation instructions.

AUDITING WORK

The authorised public accountants Martin Odqvist and Magnus Brändström from PwC have been elected as auditors for the period until the end of the 2014 Annual General Meeting. At the first Board meeting of the year, the auditor reported his observations concerning the financial audit of the company's internal controls and accounts.

INTERNAL CONTROL

The purpose of internal control is to create an effective decision-making process in which requirements, goals and frameworks are clearly defined. Ultimately, internal control is aimed at protecting the company's assets and thereby the shareholders' investment. The company has also a set of internal instructions, routines, systems and a specified division of roles and responsibilities in place to improve internal control.

FINANCIAL REPORTING

The company's results and development are followed up on a monthly and quarterly basis and reported with analyses and comments to the Board. The company's business plan and reviews of the business plan constitute an important means of ensuring internal control. The company's financial reporting complies with the laws and regulations applicable to companies listed on the Stockholm Stock Exchange.

SENSYS Traffic does not have a separate review function (internal audit) as the Board came to the conclusion that there are no special circumstances in operations or other conditions to warrant such a function.

DISSEMINATION OF INFORMATION

In accordance with the listing agreement with the Stockholm Stock Exchange, SENSYS Traffic disseminates information to shareholders and other interested parties through the publication of press releases, financial statements, interim reports and annual reports. Information is also presented on the company's website, www.sensys.se.

The company's information policy in a separate document ratified by the Board of Directors.

Board of Directors

SENSYS Traffic's corporate governance is based on Swedish laws including the Companies Act, the Book-keeping Act and the Annual Accounts Act. Furthermore, SENSYS Traffic observes the terms of the listing agreement with the Stockholm Stock Exchange and the Swedish Corporate Governance Code.

Directives issued by public authorities and stakeholders within Swedish industry and commerce and the financial market are also applied to various issues. Governance, management and control are spread among the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer in accordance with the Swedish Companies Act and the company's articles of association and rules of procedure.



PETER SVENSSON

Born 1952.

Chairman of the Board.

Board member since 1998.
CEO of Midway Holding AB.

Board member of Fastighets AB Malmö City.

Education: M.Sc. in Economics and Business.

Shareholding: 5,274,623.



JEANETTE JAKOBSSON

Born 1967.

Board member since 2010.

Head of Procurement Lunds university.

Education: MBA degree and Law degree.

Shareholding: 48,480.



CLAES ÖDMAN

Born 1965.

Board member since 2011.

Head of Division/CEO Ascom Wireless Solutions, and member of senior management for Ascom Switzerland.

Education: M.Sc. in Engineering Physics and an MBA, both from Chalmers University of Technology in Gothenburg.

Shareholding: 50,000.



ANDERS NORLING

Born 1951.

Board member since 2006.
Previously CEO of Anoto Group AB, SENSYS Traffic AB and Schmidt UK.

Chairman of Malte Månson AB, Life Assays AB, EC Software AB and Merx AB.

Education: M.Sc. in Engineering, Linköping Institute of Technology.

Shareholding: 7,306,419 through a legal entity and 2,085,328 privately, 9,391,747 shares in total.



TORBJÖRN SANDBERG

Born 1966.

Board member since 2012.
CEO of Netadmin Systems AB.
Previously Group CEO of Birdstep Technology ASA (publ).

Education: M.Sc. in Engineering
Shareholding: 50,000.



INGEMAR SKOGÖ

Born 1949.

Board member since 2011.
Governor of the County of Västmanland. Former Director-General of the Swedish Civil Aviation Authority and of Vägverket, Sweden's highways agency.

Other directorships: Automotive research for Innovation, Swedavia AB.

Education: M.Sc. in Economics and Business.

Shareholding: 75,552.



GUNNAR JARDELÖV

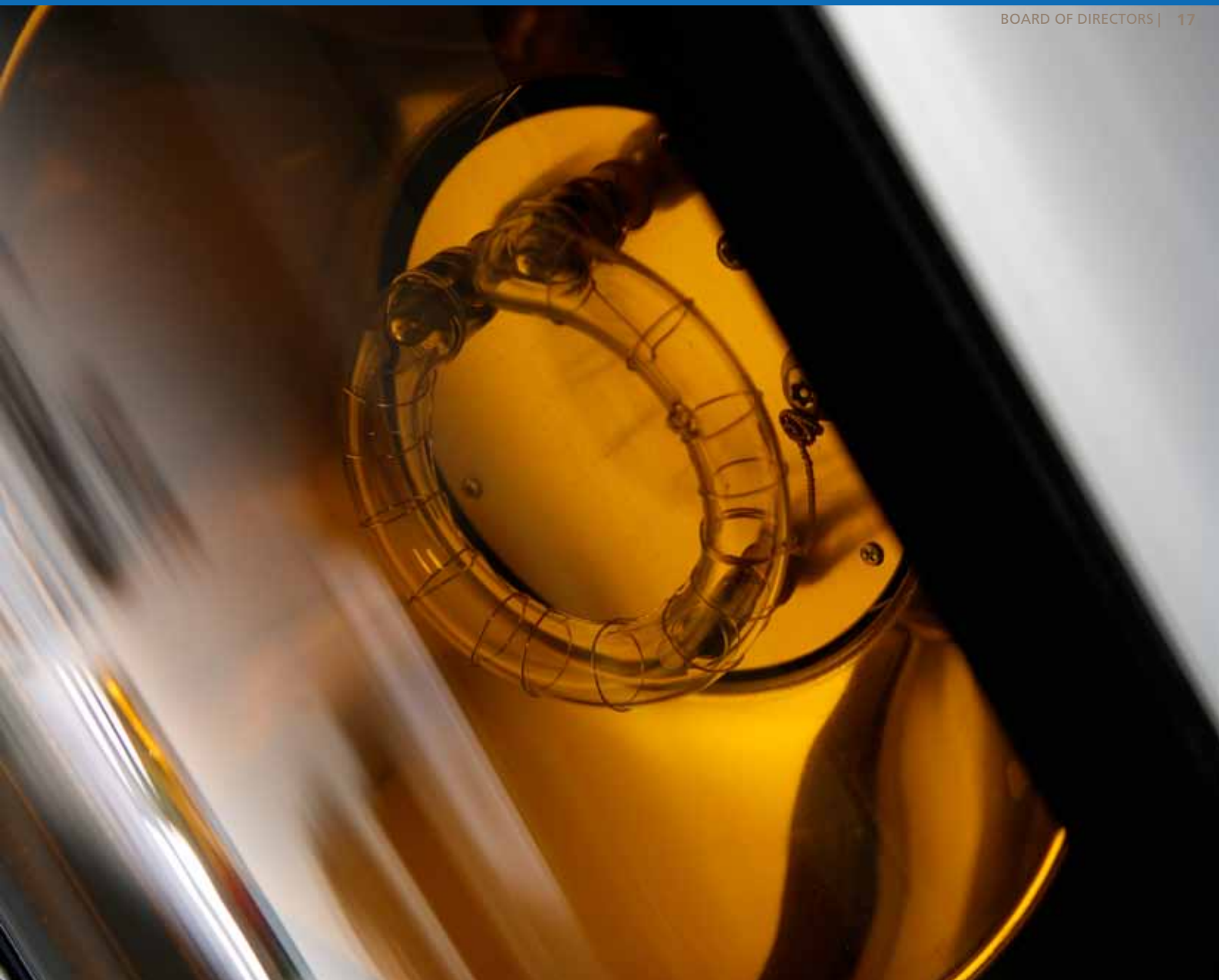
Born 1947.

Board member since 2012.
Several directorships in large Swedish corporate groups.

Other directorships: Shareholder and Board member of SSS AB.

Education: M.Sc. in Economics and Business.

Shareholding: 2,150,000.



ATTENDANCE

	ATTENDANCE	BORN	BOARD MEMBER SINCE	NATIONALITY	FUNCTION	INDEPENDENT*
Peter Svensson	8/8	1952	1998	Swedish	Chairman of the Board	Independent
Jeanette Jakobsson	7/8	1967	2010	Swedish	Board member	Independent
Gunnar Jardelöv	8/8	1947	2012	Swedish	Board member	Independent
Anders Norling	7/8	1951	2002	Swedish	Board member	Independent
Torbjörn Sandberg	7/8	1966	2012	Swedish	Board member	Independent
Ingemar Skogö	8/8	1949	2011	Swedish	Board member	Independent
Claes Ödman	6/8	1965	2011	Swedish	Board member	Independent

*Independent in relation to the company and/or the owners

Income statement

SEK	Note	2013	2012
Net sales	2	62,467,070	40,999,664
Cost of goods sold		-35,477,376	-25,270,366
Adjustment of value of inventories	7	0	-4,557,600
Gross profit/loss		26,989,694	11,171,698
Sales costs	4, 5, 6	-19,024,683	-31,906,513
Administration costs	4, 5, 6	-5,874,506	-5,359,560
Development costs	4, 5, 6	-12,746,571	-15,398,026
Operating profit/loss	1, 3, 18	-10,656,066	-41,492,401
Profit/loss from financial investments	11		
Interest income/foreign exchange gains		319,105	761,596
Interest expense/foreign exchange loss		-186,164	-640,313
Profit/loss after financial items		-10,523,125	-41,371,118
Income tax	12	0	-1,776,307
Income tax for the year		0	1,776,307
PROFIT OR LOSS FOR THE YEAR/TOTAL PROFIT OR LOSS FOR THE YEAR		-10,523,125	-43,147,425
Earnings per share before dilution		-0.02	-0.09
Earnings per share after dilution		-0.02	-0.08
Proposed dividend per share		0.0	0.0
Average number of outstanding shares before dilution, thousands		505,680	400,435
Average number of outstanding shares after dilution, thousands		505,680	400,435
Number of outstanding shares, thousands		541,234	479,838

Balance sheet

SEK	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Trademark	5	92,406	184,798
		92,406	184,798
<i>Property, plant and equipment</i>			
Machines and other technical plant	6	11,500	34,500
Equipment		33,791	46,819
		45,291	81,319
<i>Financial assets</i>			
Deferred tax recoverable	12	39,077,898	39,077,898
Shares in group company	9	50,000	50,000
Performance bond to customer	14, 19	10,000,000	0
		49,127,898	39,127,898
Total non-current assets		49,265,595	39,394,015
Current assets			
<i>Inventories</i>			
Raw materials and consumables	7	10,008,759	8,920,456
Finished products and goods for resale		6,116,809	20,731,158
		16,125,568	29,651,614
<i>Current receivables</i>			
Trade receivables	10	27,888,795	14,206,852
Other receivables		801,250	1,079,204
Prepaid expenses and accrued income	13	1,307,801	12,329,648
		29,997,846	27,615,704
<i>Cash and cash equivalents</i>			
Cash and bank	14	49,223,226	12,455,987
		49,223,226	12,455,987
Total current assets		95,346,640	69,723,305
TOTAL ASSETS		144,612,235	109,117,320

Balance sheet

SEK	Note	31 Dec 2013	31 Dec 2012
EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		27,061,716	23,991,894
Statutory reserve		25,214,947	25,214,947
		52,276,663	49,206,841
<i>Non-restricted equity</i>			
Share premium reserve		88,754,140	64,782,760
Retained earnings		-16,537,477	26,609,948
Profit for the year		-10,523,125	-43,147,425
		61,693,538	48,245,283
Total shareholders' equity		113,970,201	97,452,124
<i>Provisions</i>			
Long-term provisions	17	604,800	1,007,067
Short-term provisions		862,266	952,266
Provisions		1,467,066	1,959,333
<i>Current liabilities</i>			
Liabilities to customers		10,314,588	966,068
Trade payables		4,636,797	668,015
Other liabilities		2,566,065	548,954
Accrued expenses and deferred income	16	11,657,518	7,522,826
Total current liabilities		29,174,968	9,705,863
TOTAL EQUITY AND LIABILITIES		144,612,235	109,117,320
PLEGDED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	19	29,300,000	19,300,000
Contingent liabilities		None	None

Statement of changes in equity

	Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for the year	Total equity
Shareholders' equity 1 Jan 2012	14,395,137	25,214,947	47,282,578	26,609,948	113,502,610
New share issue	9,596,757		19,193,515		28,790,272
Share issue costs			-1,693,333		-1,693,333
Profit/loss for the year/Total profit/loss				-43,147,425	-43,147,425
Shareholders' equity 31 Dec 2012	23,991,894	25,214,947	64,782,760	-16,537,477	97,452,124
New share issue	3,069,822		24,495,199		27,565,021
Share issue costs			-523,819		-523,819
Profit/loss for the year/Total profit/loss				-10,523,125	-10,523,125
Shareholders' equity 31 Dec 2013	27,061,716	25,214,947	88,754,140	-27,060,602	113,970,201

Cash flow statement

SEK		31 Dec 2013	31 Dec 2012
Operating activities			
Operating profit/loss		-10,656,066	-41,492,401
Adjustments for non-cash items			
Adjustment of value of inventories	7	0	4,557,600
Depreciation and amortisation	5, 6	149,766	198,009
Bad debt, Telvent		0	9,816,823
Change in accrued income		11,021,846	-11,218,442
		515,546	-38,138,411
Interest received		228,940	273,868
Interest paid		-6,969	-4,493
Exchange rate effects		-89,030	-148,092
Cash flow from operating activities before changes in working capital		648,487	-38,017,128
Cash flow from changes in working capital			
Trade receivables		-13,681,942	-9,262,662
Inventories	7	13,526,045	10,869,742
Trade payables		3,968,782	-1,857,467
Guarantee payment Telvent	8	0	6,851,000
Liabilities to customers		9,348,520	-947,481
Other changes in working capital		5,937,492	-93,778
Cash flow from operating activities		19,747,384	-32,457,774
Investing activities			
Acquisition of property, plant and equipment		-21,347	-30,000
Increase in financial assets	14	-10,000,000	0
Cash flow from investing activities		-10,021,347	-30,000
Financing activities			
New share issue		27,041,202	27,096,939
Cash flow from financing activities		27,041,202	27,096,939
Cash flow for the year		36,767,239	-5,390,835
Cash and cash equivalents at beginning of the year		12,455,987	17,846,822
Cash and cash equivalents at end of the year		49,223,226	12,455,987

Financial performance

Five-year summary

INCOME STATEMENT	2013	2012	2011	2010	2009
Sales	62,467	41,000	43,371	36,816	72,379
Operating expenses	-73,123	-82,492	-95,300	-47,859	-105,323
Operating profit/loss	-10,656	-41,492	-51,929	-11,043	-32,944
Financial items	133	121	109	662	345
Profit/loss before tax	-10,523	-41,371	-51,820	-10,381	-32,599
Income tax	0	-1,776	13,532	2,609	8,619
Profit/loss for the year/Total profit/loss	-10,523	-43,147	-38,288	-7,772	-23,980

BALANCE SHEET	2013	2012	2011	2010	2009
Non-current assets	49,265	39,394	58,006	28,198	25,985
Current assets	95,347	69,723	70,843	143,783	112,026
Total assets	144,612	109,117	128,849	171,981	138,011
Shareholders' equity	113,970	97,452	113,503	151,790	111,101
Long-term liabilities	0	0	0	0	7,545
Current liabilities	30,642	11,665	15,346	20,191	19,365
Total equity and liabilities	144,612	109,117	128,849	171,981	138,011

DATA PER SHARE	2013	2012	2011	2010	2009
Earnings per share 30 Dec, SEK	-0.02	-0.09	-0.13	-0.03	-0.11
Equity per share, SEK	0.2	0.2	0.39	0.53	0.51
Dividend per share, SEK	0	0	0	0	0
Share price 30 Dec, SEK	1.06	0.49	0.45	1.16	2.24
P/E ratio	Neg	Neg	Neg	Neg	Neg
Number of shares at end of period before full conversion ¹⁾ , thousands	541,234	479,837	287,903	287,903	215,927
Number of shares at end of period after full conversion ¹⁾ , thousands	541,234	543,816	287,903	287,903	215,927
Average number of shares during the period before full conversion ¹⁾ , thousands	505,680	400,434	287,903	287,903	215,927

¹⁾ In order to facilitate comparison over the years, the number of shares at the end of each period has been adjusted to take into consideration the split and bonus issues.

The figures above for 2009 are based on previously applied accounting principles, i.e. the Swedish Financial Accounting Standards Council's recommendations 1-29. The accounts have not been restated for the application of RFR 2. All amounts are expressed in SEK thousands unless otherwise stated.

KEY FIGURES AND RATIOS	2013	2012	2011	2010	2009
Adjusted equity (SEK)	113,970	97,452	113,503	151,790	111,101
Capital employed	113,970	97,452	113,503	155,120	111,101
Interest-bearing liabilities	0	0	0	3,330	7,545
Return on equity, %	Neg	Neg	Neg	Neg	Neg
Return on capital employed, %	Neg	Neg	Neg	Neg	Neg
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Net margin, %	Neg	Neg	Neg	Neg	Neg
Rate of asset turnover, multiple	0.59	0.39	0.32	0.28	0.56
Equity/assets ratio, %	79	89	88	88	80
Proportion of risk-bearing capital, %	79	89	88	88	80
Cash flow for the year	36,767	-5,391	-35,157	35,317	-37,250
Investments in property, plant and equipment	21	30	0	0	135
Investments in intangible assets	0	0	0	0	462
Average number of employees	32	32	36	36	42

DEFINITIONS OF KEY RATIOS AND RATIOS

Equity and capital

Adjusted equity: Reported shareholders' equity + untaxed reserves after deduction for deferred tax at the current rate of tax.

Capital employed: Total assets less non interest-bearing liabilities including deferred tax liabilities in untaxed reserves.

Profitability

Return on equity: Net profit as a percentage of average adjusted equity.

Return on capital employed: Profit after net financial items + financial costs as a percentage of average capital employed.

Operating margin: Profit after depreciation and amortisation as a percentage of the year's invoicing.

Net margin: Operating profit as a percentage of the year's invoicing.

Sundry

Rate of asset turnover: The year's invoicing divided by average capital employed.

Equity/assets ratio: Adjusted equity as a percentage of total assets.

Risk-bearing capital: Adjusted equity + deferred tax liabilities in untaxed reserves as a percentage of total assets.

Accounting and valuation principles

This Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and in relation to the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for legal entities. The principal rule of the recommendation is that legal entities shall apply the International Financial Reporting Standards (IFRS), which are applied by groups, as far as this is possible within the framework of the Swedish Annual Accounts Act and with consideration of the relation between accounting and taxation. The principle is unchanged compared with the previous year. The recommendation specifies which exceptions and additions shall be made with regard to the IFRS. By observing RFR 2, the company applies IFRS as approved by the EU.

SEGMENTS

SENSYS Traffic offers system solutions and products for increased traffic safety police authorities, highway authorities and private concessionaires worldwide. The company's in-house-developed radar is the core component of all products. The systems register and document digital images, including driver identification, as well as date, time, location and speed information. The systems can also be adapted to some extent to local laws and regulations and technical standards. According to the IFRS 8 definition of operating segment, the company's entire operations constitute a single operating segment. In view of the fact that the information for this single segment is synonymous with the company's overall accounts, no separate accounts for this segment have been provided.

REPORTING OF INCOME

Goods

Income consists almost exclusively of sales of goods. Income from the sale of goods is recognised upon delivery to and acceptance by the customer in accordance with the terms and conditions of sale. Income comprises the fair value of goods sold excluding VAT and any discounts.

For the contract with the Swedish Transport Administration the company applies the percentage of completion method. The company uses the method to determine the amount to be recognised in each period. The degree of completion is defined as project costs paid for work performed by the end of the reporting period as a percentage of estimated total project costs for each project. Expenditure which has been incurred during the year but which relates to future work is not included in

project costs paid at the time of determining the degree of completion.

Other operating income

Other operating income comprises income from activities outside the company's primary business.

Interest income

Interest income is recognised in the income statement over the term of loan by applying the effective interest method.

Translation of foreign currency

Foreign currency transactions are translated to SEK using transaction date exchange rates. Resulting foreign exchange differences relating to the company's operating activities are recognised in operating profit/loss.

Assets and liabilities in foreign currency are translated at the balance sheet date exchange rate and recognised in financial income and financial costs.

INCOME TAXES

Reported income taxes include tax that is payable or due in respect of the current year, adjustments relating to current tax for previous years and changes in deferred tax.

All tax liabilities and tax assets are carried at their nominal amounts by applying those tax rules and tax rates which have been adopted or announced.

For items included in the income statement the associated tax effects are also included in the income statement.

Deferred tax is calculated in accordance with the balance sheet method for all temporary differences between the carrying amounts and tax bases of assets and liabilities. Temporary differences have arisen mainly through impairment

charges on project-specific inventories. Deferred tax assets relating to future tax deductions are recognised to the extent that it is probable that such deductions can be used to offset future taxable profits.

LEGAL STRUCTURE

SENSYS Traffic consists of SENSYS Traffic AB (publ) and the wholly-owned subsidiary Sensys International AB. The shares in the subsidiary company were acquired in July 2010. The subsidiary company is wholly dormant, as it has been since its formation. The purpose of the acquisition is merely to meet the terms of an international procurement. SENSYS Traffic has no intention of pursuing any activities through the subsidiary. In view of the fact that Sensys International AB is dormant and has never pursued any activities, no consolidated accounts have been drawn up.

EARNINGS PER SHARE

Earnings per share before dilution are computed as the year's profit divided by a weighted average of outstanding shares during the period.

Earnings per share after dilution are computed as the year's profit divided by a weighted average of outstanding shares during the period as well as a weighted average of the number of shares that there would be if all potential shares giving rise to a dilution effect were to be converted into shares. The potential shares that could arise from stock warrants, for which the current value of the subscription price is the same as or higher than the fair value, are therefore not included in the computation.

RESEARCH AND DEVELOPMENT COSTS

SENSYS Traffic's technology is based on an in-house developed radar sensor, which is the core component of the company's products. Costs closely associated with the development of technology which is controlled by SENSYS Traffic and is likely to yield economic benefits are recognised as intangible assets. The related projects have been valued as the total of direct costs plus reasonable amounts for indirect costs. Development costs incurred in connection with product adaptations for an existing project are recognised in the income statement.

The company does not hold any patents.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition value less accumulated depreciation and any impairment.

DEPRECIATION/AMORTISATION IMPAIRMENT

Intangible assets and property, plant and equipment are amortised/depreciated on a straight-line basis over the length of their useful life as of the moment they are ready to be taken into use as follows:

» Trademark	5 years
» Machines	5 years
» Other equipment	5 years

The reported value of the company's assets is regularly reviewed to see if any impairment is required should events or a change in prerequisites indicate that the reported value may not be recoverable. Any impairment and reversals of impairment are reported in the income statement.

INVENTORIES

Inventories are carried at the lowest of the acquisition value as per the first-in first-out principle (FIFO) and the net sales value at the balance sheet date. The acquisition value of own-produced goods includes direct production costs and a reasonable portion of indirect production costs. A requisite deduction for obsolescence has been made further to individual assessment.

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS

The reported cash flow only comprises transactions resulting in incoming and outgoing payments. Cash balances and bank deposits as well as short-term financial investments with a maturity of less than 3 months are classified as cash and cash equivalents. This balance sheet item includes cash and funds deposited with a bank, as well as frozen assets, which constitute security for a bid and fulfilment bond related to a procurement procedure as described in Note 14.

FINANCIAL INSTRUMENTS

Financial assets reported in the balance sheet include trade receivables, other receivables, and cash equivalents. These are accounted for as current assets with the exception of items maturing later than 12 months from the balance sheet date, which are classified as non-current assets. The fair value of financial assets and liabilities is the carrying amount unless otherwise specified.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at acquisition value less any provisions for impairment. A provision for impairment of trade receivables is made when there exists objective evidence that the company will not be able to receive all amounts that are due under the original terms of the receivables. Receivables expressed in foreign currencies are valued at the rate of exchange prevailing on the balance sheet date or, where appropriate, at the rate according to the forward exchange contract entered into. Impairment of trade receivables is reported as sales costs. Recovery of amounts that were previously written off reduce the sales costs in the income statement.

TRADE AND OTHER PAYABLES

Financial liabilities are initially recognised at fair value, net of transaction costs, and subsequently at amortised cost. The category financial liabilities comprise the items borrowing, trade payables and other liabilities. Trade payables with a short expected maturity and are stated at their nominal value and are not discounted. Liabilities in foreign currencies are translated at the balance sheet date.

Purchase and sales of financial instruments are recognised at the transaction date, i.e. the date when the company undertakes to buy or sell the asset.

Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been assigned to another party and the company has transferred essentially all risks and benefits associated with ownership.

FINANCIAL GUARANTEES / FROZEN ASSETS

The company's financial guarantees refer to guarantees in individual customer projects such as guarantees against advances, tenders, fulfilment and warranties. Under a financial guarantee the company undertakes to compensate the holder of the guarantee for any losses incurred by the same in consequence of the company's failure to fulfil its contractual obligations. The company accounts for the limitation of liquidity imposed by the guarantee as frozen assets under Cash and bank balances provided that the guarantee has a remaining term of less than three months. The amount is limited by the corresponding value of the guarantee.

PROVISIONS

Provisions for guarantee expenses and legal demands are recognised when the company has a legal, contractual or informal obligation in consequence of past events, it is more probable than not that a payment will be required in order to fulfil the obligation and the amount can be reliably estimated. If the company has several similar obligations the probability that a payment will be required upon settlement is assessed jointly for this group of obligations. The balance sheet contains provisions related to warranties. Provisions are reviewed at each financial year-end.

LEASING

Leases in which a significant portion of the risks and benefits associated with ownership are retained by the lessor are classified as operating leases. Payments made during the term of the lease (less any deductions for incentives from the lessor) are charged to expense on a straight-line basis in the income statement over the term of the agreement.

There are no finance leases.

REMUNERATION OF EMPLOYEES

Retirement benefit obligations

Defined-contribution pension plans exist for all employees, for which the company pays ongoing established charges to a separate legal entity, such as an insurance company, and consequently does not have any legal or informal obligation to pay further charges. The company's costs for these are reported as a cost during the period when the employees concerned have performed the services related to such cost.

Share-based payments

The company has no agreements on share-based payments.

Severance pay

Severance pay is paid when an employee's employment has been terminated before the normal retirement age or when an employee accepts voluntary redundancy in exchange for such payment. The company recognises severance pay when it is demonstrably obliged to either terminate the employment of employees under a detailed formal plan with no possibility of withdrawal or to pay compensation upon termination as a result of an offer to encourage voluntary redundancy.

SIGNIFICANT ESTIMATES

The preparation of financial statements requires the use of certain estimates and assessments for accounting purposes. Management also makes assessments in applying the SENSYS Traffic's accounting principles. Estimates and assessments can influence the income statement and balance sheet as well as the additional disclosures presented in the financial statements. Changes to estimates and assessments can therefore lead to changes in the financial statements.

Income tax

For a number of years, SENSYS Traffic has reported negative results and has consequently accumulated a significant amount of unutilised tax losses. The future utilisation of these tax losses depends upon taxable profits. At 31 December 2013 SENSYS Traffic had total estimated unutilised tax losses of SEK 173,613 thousand (163,327), which require future profits of equivalent value within a reasonable time to fully consume the tax losses.

There is uncertainty about the outcome of procurements in the traffic safety industry, largely due to the political sensitivity of individual projects. As of the second quarter of 2012 the Board of Directors has chosen not to recognise any further tax losses.

For more information, see Note 12.

Inventories

SENSYS Traffic has an inventory of products produced for a specific customer that have been held in stock since the project was terminated. The company deems that the inventory is sellable, although opportunities to sell parts of the inventory are limited in time due to continued technological advances. In 2012 an impairment charge of SEK 4.6 million on the inventory was recognised. In the second half of 2012 the company reassessed the value of the remaining inventory, deeming that it is sellable in the market within the foreseeable future. No further impairment charge has therefore been recognised. In addition, the company sold inventory worth close to SEK 11 million to customers in 2012 and inventory worth a further SEK 9 million in 2013. At 31 December 2013 the remaining customer-specific inventory had a carrying amount of SEK 2.8 million.

For more information, see Note 7.

Percentage of completion accounting

Under the percentage of completion method, the company is required to assess how large a share of the project has been completed at the balance sheet date in relation to the total scope of the project. If assessment differs from management's estimate the income recognised for the year will increase if the completed share is larger than estimated or decrease if the completed share is smaller than estimated.

RISKS AND UNCERTAINTIES

Significant risks and uncertainties faced by the company include commercial risks associated with customers and suppliers as well as other external factors. SENSYS Traffic'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. A description of material financial and commercial risks faced by the company is given in Note 20.

APPLICATION OF NEW OR AMENDED STANDARDS

None of the IFRS or IFRIC interpretations which are obligatory for the first time in respect of the financial year begun on 1 January 2013 have had any impact on the company.

New standards, amendments and interpretations of existing standards which have not yet entered into force and have not been applied in advance by the company

IFRS 9 Financial Instruments deals with the classification, valuation and accounting of financial liabilities and assets, and replaces parts of IAS 39.

IFRS 9 states that financial assets should be classified into two categories and be determined upon initial recognition. For financial liabilities a number of minor changes are introduced, which relate to liabilities that are stated at fair value. The company intends to apply the new standard no later than the financial year which begins on 1 January 2015 and has not yet evaluated the effects. The standard has not yet been adopted by the EU.

IFRS 10 Consolidated Financial Statements introduces no new principles but provides further guidance on determining control when this is difficult to assess. The company intends to apply IFRS 10 for the financial year which begins on

1 January 2014 and has not yet evaluated the full impact on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities covers disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The company intends to apply IFRS 12 for the financial year which begins on 1 January 2014 and has not yet evaluated the full impact on the financial statements.

No other IFRS or IFRIC interpretations which have not yet entered into force are expected to have any material impact on the company.

Notes on the accounts

All amounts are expressed in SEK '000 unless otherwise stated.

NOTE 1 EMPLOYEES

Average number of employees	2013	2012
Men	30	30
Women	2	2
Total	32	32

Salaries and other remuneration	2013	2012
Board of Directors	560	450
Chief Executive Officer	2,938	1,787
Other senior executives, 5 persons	6,884	5,085
Other employees	12,380	12,776
Total	22,762	20,098

The Board of Directors received remuneration of SEK 560 thousand (450), of which the Chairman received SEK 110 thousand (90). No other remuneration has been paid and other Board members receive equal shares.

Pension costs	2013	2012
Board of Directors	0	0
Chief Executive Officer	480	437
Other senior executives, 5 persons	1,046	945
Other employees	1,989	2,218
Total	3,515	3,600

Legal and contractual social charges (excluding Board)	2013	2012
	8,167	7,775

VARIABLE REMUNERATION

Sensys has two separate agreements for its employees.

Variable remuneration for employees

The current agreement for employees (excluding the CEO and management team) has been in force since 2009, and entitles employees to a bonus defined as the lower of:

- (i) 5 per cent of net earnings in the current year, subject to a limit of SEK 3 million
- (ii) An amount corresponding to 2 months' pay for bonus-entitled staff at the end of the bonus year.

Variable remuneration is paid in the year after the financial year.

No variable remuneration has been paid for 2013 and 2012.

Variable remuneration for the CEO and senior executives

The agreement for the CEO and management team applies since 2010. The variable remuneration is based on the company's order intake and invoicing for the year, and is subject to an upper limit of SEK 3,500 thousand, of which SEK 1,000 refers to the CEO.

For the financial year 2013 a provision of SEK 3,500 thousand has been made. No provision has been made for 2012.

Remuneration of the Board of Directors, the CEO and other senior executives

The company shall offer market-oriented total remuneration at prevailing market conditions that enables the recruitment and retention of senior

executives. Remuneration of the company's senior executives shall consist of a fixed salary, variable remuneration, pension and other remuneration. Together, these various parts shall comprise each individual's total remuneration. Fixed salary and variable remuneration shall together form the employee's salary.

The fixed salary shall take into consideration each individual's area of responsibility and experience. The variable remuneration shall depend on each individual's fulfilment of quantitative and qualitative goals.

Board of Directors

The Chairman and Members of the Board shall receive fees as resolved by the Annual General Meeting of Shareholders. No special fee shall be paid for committee work. The annual Board fees resolved by the Annual General Meeting in 2013 amounted to SEK 560 thousand (450), of which SEK 110 thousand (90) for the Chairman of the Board. The remaining portion is divided equally among the members of the Board. No other remuneration or benefits have been paid. The Board fees were paid in their entirety after the Annual General Meeting.

Chief Executive Officer

According to contract, the fixed salary of the CEO amounted to SEK 1,962 thousand (1,787) in 2013.

The Chief Executive Officer has a healthcare insurance policy, as well as benefiting from a supplementary pension with a premium of 25 per cent of the current annual salary.

The employment contract of the Chief Executive Officer includes termination conditions. According to this contract, the company and the CEO have a

reciprocal period of notice of termination of twelve months. The salary shall remain unchanged during the period of notice of termination.

The retirement age is 65 years.

Other senior executives

The company's management team was composed in 2013 of Göran Löfqvist, Helena Claesson, Magnus Ferlander, Kjell Lundgren and Jörgen Andersson.

Other senior executives have been paid a total compensation specified in a resolution from the 2013 AGM, under which the variable remuneration depends on each employee's position and employment contract.

Senior executives shall have the right to pensions in accordance with the Swedish ITP plan or equivalent.

Other remuneration and benefits are at current market conditions and contribute to enabling senior executives to fulfil their duties. The customary notice of termination applies to the management team's employment agreement.

The Board of Directors have the right to deviate from the above guidelines should the Board deem that special grounds exist to motivate such deviation in certain cases. No such deviations were made in 2013.

Agreements regarding severance pay

The company does not have any signed agreements regarding severance pay or similar benefits to Members of the Board, the CEO or other senior executives.

BREAKDOWN BY GENDER OF THE SENIOR EXECUTIVES

<i>Breakdown between men and women on SENSYS Traffic's Board of Directors:</i>	2013	2012
Women	14%	14%
Men	86%	86%

<i>Breakdown between men and women in management</i>	2013	2012
Women	14%	14%
Men	86%	86%

NOTE 2 TOTAL SALES

<i>Net sales by region</i>	2013	2012
Sweden	20,400	5,392
Rest of Europe	2,658	655
USA	32,134	9,638
Middle East	3,299	22,833
Rest of the world	3,976	2,481
Total	62,467	40,999

In 2013 the company had two customers whose share of the company's total net sales exceeded 10 per cent. These were Sensys America (SEK 32.1 million) and the Swedish Transport Administration (SEK 17.4 million). In 2012 these customers were Sensys America (SEK 9.3 million) and Trifoil Group (SEK 21.9 million).

NOTE 3 RELATED-PARTY TRANSACTIONS

Information on remuneration of the Board of Directors and CEO is provided in Note 1. In 2013 the company paid a consulting fee of SEK 83 thousand (372) to the Board member Anders Norling (AN Holding).

NOTE 4 EXPENSES BY NATURE OF EXPENSE

	2013	2012
Cost of remuneration to employees (Note 1)	34,590	31,209
Advertising and sales costs	4,950	13,703
Depreciation, amortisation and impairment (notes 6, 7 and 8)	150	4,756
Other	33,432	32,824
Total	73,122	82,492

NOTE 5 INTANGIBLE ASSETS**Trademark**

	2012	2011
Opening accumulated acquisition value	462	462
Acquisitions	0	0
Closing accumulated acquisition value	462	462
Opening accumulated amortisation	-277	-185
Amortisation for the period	-93	-92
Closing accumulated amortisation	-370	-277
Carrying amount	92	185

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	<i>Machines and other technical plant</i>		<i>Equipment</i>		<i>Motor vehicles</i>	
	2013	2012	2013	2012	2013	2012
Opening accumulated Acquisition value	2,346	2,552	2,312	2,954	469	469
Acquisitions	0	0	21	30	0	0
Disposals	0	-206	0	-672	-469	-469
Closing accumulated acquisition value	2,346	2,346	2,333	2,312	0	0
Opening accumulated depreciation	-1,738	-1,921	-995	-1,584	-469	-469
Disposals	0	206	0	672	469	469
Depreciation for the period	-23	-23	-34	-83	0	0
Closing accumulated depreciation	-1,761	-1,738	-1,030	-995	0	0
Opening accumulated Impairment	-573	-573	-1,270	-1,270	0	0
Closing accumulated impairment	-573	-573	-1,270	-1,270	0	0
Carrying amount	12	35	34	47	0	0

Breakdown of scheduled depreciation

	2013	2012
Cost of goods sold	18	19
Sales costs	49	67
Administration costs	8	10
Development costs	75	102
Total scheduled depreciation	150	198

Leasing

The company has entered into the following operating leases:

	<i>Machines, plant and equipment</i>		<i>Premises</i>	
	2013	2012	2013	2012
Lease payments for the year	505	367	2,190	2,155
Minimum lease payments that fall due within 1 year	343	310	2,190	2,155
Minimum lease payments that fall due within 1 – 5 years	176	149	1,095	1,077
Minimum lease payments that fall due later than 5 years	0	0	0	0

Rental leases are for a rolling 18 months.

Leases for machines, plant and equipment concern photocopy machines and motor vehicles. The lease term varies from three to five years, after which the lessee has the possibility to acquire the leased object, which will probably be the case. There are no variable charges.

NOTE 7 INVENTORIES

	2013	2012
Acquisition value	49,484	63,009
Adjustment of value of inventories	-33,358	-33,358
Carrying amount	16,126	29,651

The company has an inventory of products produced for a specific customer that have held in stock since the project was terminated. At year-end 2012 this inventory had a value of approximately SEK 29.7 million (63.0). Due to continued technical advances, opportunities to sell some parts of the inventory are limited in time. In 2012 the company wrote down the inventory by SEK 4,558 thousand as at 30 June 2012. The company then made a new forecast for the inventory products, whereby it was determined that the remaining inventory is sellable in a foreseeable future, and no further impairment charges have therefore been recognised. The assessment remains in place for 2013.

NOTE 8 RECEIVABLE, TELVENT

	2013	2012
Opening receivable, Telvent	0	16,668
Disbursement under bank guarantee	0	0
Payment from Telvent under settlement	0	-6,851
Write-off of receivable under settlement	0	-9,817
Carrying amount	0	0

NOTE 9 SHARES IN GROUP COMPANIES

Name	Share of equity	Share of voting power	No. of shares	Carrying amount
SENSYS International AB	100%	100%	500	50
Total				50

	Corp. reg. no.	Registered office	Shareholders' equity	Result
SENSYS International AB	556811-3376	Jönköping	50	0

	2013	2012
Opening acquisition value	50	50
Acquisitions for the year	0	0
Closing accumulated acquisition value	50	50
Carrying amount	50	50

NOTE 10 TRADE RECEIVABLES

	2013	2012
Age structure of outstanding trade receivables		
Trade receivables not yet due	27,798	9,245
Trade receivables past due but not impaired:		
< 3 months	8	4,891
3 – 12 months	83	72
>12 months	7	0
	27,896	14,208

Trade receivables past due and impaired

	2013	2012
< 3 months	0	0
3 – 12 months	0	1
>12 months	0	0
Provision for doubtful trade receivables	7	0
Carrying amount	27,889	14,207

Change in provision for doubtful trade receivables

	2013	2012
Opening provision	1	0
Acquisitions (-) / Sales (+)		
Confirmed losses		0
Reversal of unused provisions	0	0
Provision for the year	6	1
Closing provision	7	1

NOTE 11 PROFIT/LOSS FROM FINANCIAL INVESTMENTS

Interest and similar items	2013	2012
Interest income on bank deposits	227	261
Exchange rate effects	90	488
Other financial income	2	13
Total financial income	319	762

Interest expense on financial liabilities	2013	2012
Interest expense	-7	-4
Exchange rate effects	-179	-636
Total financial costs	-186	-640

NOTE 12 TAXES

	2013	2012
Current tax	0	0
Deferred tax	0	-1,776
Total	0	-1,776
<i>Difference between tax expense and tax expense based on applicable tax rate</i>		
Profit/loss before tax	-10,523	-41,371
Tax at 22% (26.3%)	2,315	9,102
Tax effect of non-deductible expenses	-52	-41
Tax effect of non-deductible income	0	-3
Tax attributable to previous tax assessments	0	-77
Effect of unrecognised tax asset relating to tax losses	-2,263	-4,111
Restatement of tax asset due to new tax rate	0	-6,646
Tax on profit/loss for the year in accordance with income statement	0	-1,776

At 31 Dec 2013 the company had total estimated unutilised tax losses of SEK 173,612 thousand (163,327). The decision of the Swedish Parliament of 1 January 2013 to lower the corporation tax rate to 22 per cent has resulted in the restatement of a tax asset of the company. The resulting difference, SEK 6.6 million, was recognised as a tax expense in the company in 2012. Based on the 2013 tax rate (22%), the deferred tax asset is SEK 39,078 thousand (39,078). In the annual accounts the full value of all tax losses incurred since 2005 up to the first quarter of 2012 have been recognised as assets. This is based on the previous assessment made by management and the Board of Directors of the company's potential to utilise these tax losses in the future through profitable sales of the company's products.

As of the second quarter of 2012 the Board of Directors has chosen not to recognise any further tax losses. There is uncertainty about the outcome of procurement processes in the traffic safety industry, largely due to political sensitivities in individual projects. The adopted forecast is therefore based on several estimates and assessments. However, management expects that demand for traffic enforcement systems in the global market in which the company operates will continue to expand. In 2013 the company won a major contract, which is expected to generate significant sales volumes over the next few years, creating opportunities to use tax losses from prior periods.

Temporary tax differences

	2013	2012
Deferred tax recoverable		
Accumulated tax losses	32,742	32,742
Temporary differences relating to inventories	6,336	6,336
Other temporary differences	0	0
	39,078	39,078

At year-end 2013 the company had a temporary tax difference of SEK 7,339 thousand, which relates wholly to inventory obsolescence for a project-specific inventory.

NOTE 13 PREPAID COSTS AND ACCRUED INCOME

	2013	2012
Prepaid lease payments	49	39
Prepaid rent	524	493
Other items	735	580
Accrued income	0	11,218
Total	1,308	12,330

NOTE 14 CASH AND BANK

In 2012 the company deposited SEK 800 thousand as security in a bid guarantee for a procurement process in Algeria. When the guarantee expires the amount will be repaid in full. In 2013 the company also deposited SEK 10 million with a bank, which will be frozen for 30 months under a performance bond in the contract with the Swedish Transport Administration.

NOTE 15 SHAREHOLDERS' EQUITY

Share capital

The share capital of SENSYS Traffic AB amounts to SEK 27,061,716 (23,991,894) divided into 541,243,314 (479,837,886) shares. The quota value, previously the nominal value, is SEK 0.05 per share. All shares have an equal right to a portion of the company's assets and profits. Each share gives the right to one vote. At shareholders' meetings, each person entitled to vote may vote for the full number of shares owned and represented by him/her without any restriction in the number of votes. The share capital and number of shares has developed as follows since 1 January 1995:

Year	Transaction	Increase in number of shares	Increase in share capital (SEK)	Total share capital (SEK)	No. of shares	Nominal value of shares (SEK)
1995	Opening values			50,000	500	100
1997	Bonus issue	500	50,000	100,000	1,000	100
1998	Split 1000:1	999,000		100,000	1,000,000	0.10
1998	Bonus issue	4,000,000	400,000	500,000	5,000,000	0.10
1998	New share issue	1,025,000	102,500	602,500	6,025,000	0.10
1999	New share issue	4,065,999	406,600	1,009,100	10,090,999	0.10
2000	Bonus issue		1,009,100	2,018,200	10,090,999	0.20
2000	Split 4:1	30,272,997		2,018,200	40,363,996	0.05
2000	Exchange of convertibles	5,888,218	294,411	2,312,611	46,252,214	0.05
2000	New share issue	10,068,556	503,428	2,816,039	56,320,770	0.05
2001	Exchange of convertibles	101,776	5,089	2,821,128	56,422,546	0.05
2002	New share issue	79,787,095	3,989,355	6,810,483	136,209,641	0.05
2003	New share issue	34,781,829	1,739,091	8,549,574	170,991,470	0.05
2004	Redemption of warrants	360,000	18,000	8,567,574	171,351,470	0.05
2004	New share issue	3,171,909	158,595	8,726,169	174,523,379	0.05
2004	New share issue	35,783,672	1,789,184	10,515,353	210,307,051	0.05
2005	Redemption of warrants	3,620,000	181,000	10,696,353	213,927,051	0.05
2006	Redemption of warrants	2,000,000	100,000	10,796,353	215,927,051	0.05
2010	New share issue	71,975,683	3,598,784	14,395,137	287,902,734	0.05
2012	New share issue	191,935,152	9,596,757	23,991,894	479,837,886	0.05
2013	Redemption of warrants	30,909,453	1,545,473	25,537,367	510,747,339	0.05
2013	Redemption of warrants	30,486,975	1,524,349	27,061,716	541,234,314	0.05

In connection with the company's rights issue in April 2012 each subscriber was allocated two warrants (TO3 and TO4) for each interim certificate.

The subscription period for each warrant was pre-defined. TO3 warrants could be exercised to subscribe for new shares during the period 1–31 March 2013 while TO4 warrants were exercisable during the period 1–31 October 2013.

NOTE 16 ACCRUED EXPENSES AND DEFERRED INCOME

	2013	2012
Accrued salaries	3,292	0
Holiday pay liability	3,394	3,282
Social charges	3,509	2,383
Other liabilities	1,462	1,857
Total	11,657	7,522

NOTE 17 PROVISION FOR GUARANTEE EXPENSES

	2013	2012
Guarantee provision 0-360 days	862	1,007
Guarantee provision > 360 days	605	952
Total	1,467	1,959

NOTE 18 AUDIT FEES AND REIMBURSEMENT OF RELATED COSTS

	2013	2012
PwC		
Audit assignment	210	200
Auditing work over and above the audit assignment	18	14
Tax consultancy	135	142
Other assignments	188	138
Total	551	494

NOTE 19 PLEDGED ASSETS

	2013	2012
Floating charges	18,500	18,500
Frozen assets	10,800	800
Total	29,300	19,300

In 2012 the company deposited SEK 800 thousand as security in a bid guarantee for a procurement process in Algeria. When the guarantee expires the amount is repaid in full. In 2013 the company also deposited SEK 10 million with a bank, which will be frozen for 30 months under a performance bond in the contract with the Swedish Transport Administration.

NOTE 20 RISKS

Risk management is a part of all business operations, the purpose of which is to identify, assess, manage and report significant risks. SENSYS Traffic's risk management covers risks associated with individual projects, operational risks, the risk of failing to comply with laws and regulations such as the risks involved in financial reporting. Market risks include the effects of the recession, customer development, supplier dependence, political decisions and competition. Risks also include technology and market trends, production disturbances and the capacity to attract and retain key individuals. Financial risks include existing financing, options for future financing, currency risks and interest risks. Legal risks consist of legislation, regulations, insurance, public authorities and supervisory bodies as well as disputes and claims for damages. Risks that are managed well can lead to opportunities and generate value, while risks that are not dealt with correctly can be damaging and lead to costs for the company. This is why the ability to identify risk factors and manage risks is an important part of the company's operational activities.

FINANCIAL RISKS

Liquidity and financing risks

Financing risk refers to risks associated with existing and future financing, re-financing of overdue loans, or difficulties in obtaining external loans. Liquidity risk refers to the risk of being unable to fulfil payment commitments when they fall due as a consequence of insufficient liquidity. Both of these forms of risk are managed, when required, through actively acquiring capital on the stock market. SENSYS Traffic has no long-term loans.

Financial risk management

Through its international operations SENSYS Traffic is exposed to financial risks. Financial risk refers to changes in the company's cash flow that are due to changes in exchange rates and interest rates as well as liquidity, financing and credit risks. The company's policy for managing financial risks has been defined by the Board and serves as a framework for risk management.

Currency risks

Currency risks refers to the risk of exchange rate fluctuations having a negative impact on SENSYS Traffic's income statement, balance sheet and/or cash flow. SENSYS Traffic's activities are exposed to currency risks, and then primarily in the form of transaction risks. This currency risk is eliminated by the fact that most of the company's sales are denominated in SEK. A small number of cases involve sales in foreign currencies where any transactions of significant size are hedged against currency fluctuations. Approved instruments for currency hedging are forward exchange contracts. At the end of 2013 and 2012, SENSYS Traffic had no forward exchange contracts.

As purchases of valuable components must be paid for in foreign currency, the company demands equivalent compensation from its customers in the form of currency clauses.

Interest risks

SENSYS Traffic manages interest risk arising from interest-bearing assets by investing liquid assets in a non-speculative manner in instruments with maturities that match SENSYS Traffic's known outflows and/or payments on debts. The aim is to limit the interest risk in SENSYS Traffic's interest-bearing liabilities. At the end of 2012, SENSYS Traffic had no interest-bearing liabilities.

SENSYS Traffic holds no listed financial instruments.

Credit risks

Financial credit risks are defined as the risk of loss if the opposite parties with whom SENSYS Traffic has invested liquid assets, short-term bank investments or financial instruments entered into that have a positive market value for the company, fail to fulfil their obligations. Credit risks are to a large extent avoided through effective creditworthiness analyses/monitoring of existing and potential customers, and in certain cases by obtaining payments in advance or payment against a letter of credit. SENSYS Traffic's assets are recognised in the balance sheet after deducting for provisions for expected credit losses. The credit risk is limited to the carrying amount of each financial asset.

OPERATIONAL RISKS

Operational risk management

For SENSYS Traffic, a major part of operational risk lies in the management of each individual project. Sensys works actively to integrate risk management in each customer project, and has developed an in-house tool, Risk Assessment Analysis, for this purpose. The tool enables the company to identify, manage and, where necessary, accept and limit the risks involved in each individual project. The project manager is responsible for implementing Risk Assessment Analysis and subsequently following up and reporting an important matters. In addition to this, for larger projects, a member of the management team will be appointed to act as sponsor for the project and to whom the project manager will report on a continuous basis.

Each departmental manager is also responsible for driving and developing his/her respective area of responsibility, which includes identifying opportunities and threats as well as continuously following up activities.

Finally, the management team's meetings function as a forum for discussions upon which operational decisions are made, thereby consolidating risk management in its entirety.

Risk in individual customer project (Saudi)

In the first quarter of 2012 SENSYS Traffic and Telvent reached a settlement in the dispute concerning the terminated project in Saudi Arabia. Under the terms of the settlement, SENSYS Traffic received SEK 6.9 million on 12 April 2012 out of a total claim on Telvent of SEK 16.7 million. The remaining SEK 9.8 million was recognised as sales costs. This brings the arbitration process between SENSYS Traffic and Telvent to an end.

Risk in individual customer project (Oman)

In the fourth quarter of 2012 the company delivered all systems that were due for delivery in this project. In 2013 the customer made full payment for the project, which has also been concluded and approved by the customer in a final acceptance test.

Insurance

SENSYS Traffic has adequate insurance policies covering property, product liability, interruptions and transport as well as an insurance policy covering the Board of Directors and CEO.

Events after the balance sheet date

The Board of Directors proposes that no dividend be paid for 2013.

During the period from the balance sheet date to the signing of this Annual Report no significant events or information, other than what has been set forth in the foregoing, concerning the circumstances at the balance sheet date or thereafter, whether of a favourable or unfavourable nature, have emerged that would occasion any further disclosures.



The undersigned hereby certify that the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as generally accepted accounting principles, and thereby give a true and fair view of the company's financial position and results of operations, and that the Directors' Report gives a true and fair overview of trends and developments of the company's operations, financial position and results, as well as describing significant risks and uncertainty factors that the company may be faced with.

The Annual Report was approved for distribution by the Board of Directors on 20 March 2014.

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders on 24 April 2014.

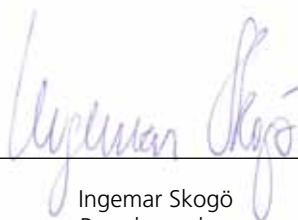
Jönköping, 20 March 2014



Peter Svensson
Chairman of the Board



Jeanette Jakobsson
Board member



Ingemar Skogö
Board member



Gunnar Jardelöv
Board member



Anders Norling
Board member



Claes Ödman
Board member

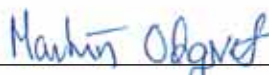


Torbjörn Sandberg
Board member



Johan Frilund
Chief Executive Officer

Our audit report was submitted on 20 March 2014



Martin Odqvist (chief auditor)
Authorised Public Accountant



Magnus Brändström
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Sensys Traffic AB, (publ), corporate identity number 556215-4459

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of Sensys Traffic AB for the year 2012 except for the corporate governance statement on pages 14-17. The annual accounts of the company are included in the printed version of this document on pages 11-35.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Sensys Traffic AB as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. Our opinion do not cover the corporate governance statement on pages 14-17. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Sensys Traffic AB for the year 2012. We have also conducted a statutory examination of the corporate governance statement.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 14-17 has been prepared in accordance with the Annual Accounts Act

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts.

Jönköping 25 March 2013

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist
Authorized Public Accountant
Auditor-in-Charge

Magnus Brändström
Authorized Public Accountant

Senior executives



JOHAN FRILUND

CHIEF EXECUTIVE OFFICER

Born: 1963.

Employed since: 2008.

Education: M.Sc. in Engineering, Faculty of Engineering at Lund University and MBA, Gothenburg School of Business.

Professional experience:

- » Head of Europe at Flextronics Infrastructure, Poland
- » CEO and Factory Manager at Sanmina-SCI Enclosure Systems AB
- » Management consultant at Capgemini Ernst & Young
- » Kapsch TrafficCom AB (formerly Combitech Traffic Systems AB), notably as Head of Region in Malaysia.

External directorships: Board member of Value Management Sverige AB.

Shareholding: 932,893 shares, of which 711,333 in a unit-linked insurance plan.



HELENA CLAESSION

DIRECTOR OF FINANCE AND QUALITY ASSURANCE

Born: 1969.

Employed since: 2004.

External commissions: None.

Shareholding: 0.



MAGNUS FERLANDER

DIRECTOR OF MARKETING AND BUSINESS DEVELOPMENT

Born: 1968.

Employed since: 2011.

External commissions: None.

Shareholding: 250,173.



JÖRGEN ANDERSSON

PURCHASING AND LOGISTICS DIRECTOR

Born: 1970.

Employed since: 2009.

External commissions: None.

Shareholding: 73,034.



KJELL LUNDGREN

AFTER SALES DIRECTOR

Born: 1967.

Employed since: 2011.

External commissions: None.

Shareholding: 172,216.



GÖRAN LÖFQVIST

RESEARCH AND DEVELOPMENT DIRECTOR

Born: 1967.

Employed since: 2000.

External commissions: None.

Shareholding: 53,259.

Up-to-date information on the members of the Board of Directors and management team and their securities holdings is available on our website:

www.sensys.se

Information to shareholders

SENSYS Traffic AB (publ) will publish the following financial information:

- Q1 2014, 24 April
- Q2 2014, 19 Aug
- Q3 2014, 29 Oct
- Year-end report for 2014, Jan 2015

Annual reports and other reports are available at our website at www.sensys.se and can also be ordered directly from SENSYS Traffic.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

SENSYS Traffic will hold its Annual General Meeting of Shareholders at 3pm on 24 April 2014 at Elite Stora Hotellet, Hotellplan, Jönköping.

RIGHT TO PARTICIPATE IN THE ANNUAL GENERAL MEETING

Shareholders who wish to attend the Annual General Meeting of SENSYS Traffic must be recorded in the share register maintained by Euroclear Sweden AB no later than 16 April 2014, and to have given notice of their intention to attend the Meeting by 16 April 2014.

In order to be entitled to attend the Annual General Meeting and exercise their right to vote, shareholders whose shares are registered under a nominee name must temporarily register the shares in their own name. Such re-registration must be handled by the trustee/bank and

shall be completed with Euroclear Sweden AB by Wednesday 16 April 2014.

NOTIFICATION OF INTENTION TO ATTEND

Notice of intention to attend the Annual General Meeting must be made to SENSYS Traffic by 12 noon on 16 April, by mail:

SENSYS Traffic AB
Box 2174
SE-550 02 Jönköping

by telephone: +46 (0)36-34 29 98
by fax: +46 (0)36-12 56 99
or by e-mail: info@sensys.se

NOMINATING COMMITTEES AUDIT COMMITTEE

Due to the size of the company it has not been deemed necessary to set up a separate audit committee.

REMUNERATION COMMITTEE

No separate remuneration committee has been appointed in the company. Issues relating to compensation to the CEO are handled by the Chairman in consultation with the other Board members.

Decisions on compensation to other senior executives are decided by the CEO in consultation with the Chairman of the Board.

NOMINATING COMMITTEE

The nominating committee prepares proposals for the Annual General Meeting with regard to the election and remuneration of Board members and auditors. The nominating committee meets when required although at least once a year. The nominating committee of SENSYS Traffic AB (publ) has been composed since the AGM held on 16 April 2013 of the following members

Jan Johansson (Chairman)

Jan Johanssons Förvaltnings AB
Kungsgatan 33

SE-111 56 Stockholm

+46 (0)08-149502 or
+46 (0)0706-709047

jjfab@telia.com

Lars Gunnar Berntson

+46 (0)70-6988581

larsgunnar.berntson@gmail.com

Anders Bergstrand

+46 (0)70-932 2307

anders@tibiakonsult.se

Andre Vatsgar

+46 (0)75-2481901

andre.vatsgar@danskecapital.se

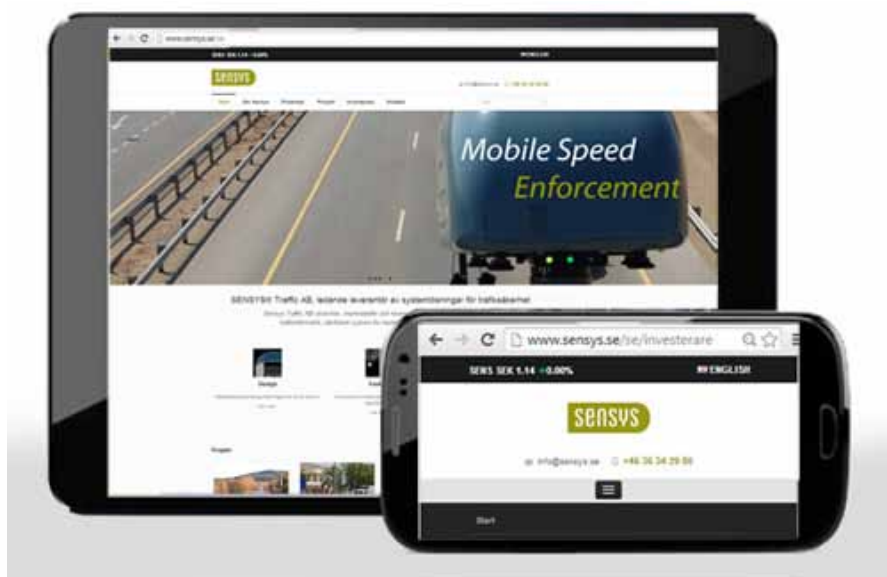
Proposals to the nominating committee must be submitted to the Chairman, Jan Johansson.

CONTACT FOR FINANCIAL INFORMATION

Chief Financial Officer Helena Claesson

Telephone: +46 (0)36-34 29 98 or +46 (0)70-6760750.

E-mail: helena.claesson@sensys.se



Addresses

SENSYS TRAFFIC AB (PUBL.)

Postal address: PO Box 2174
SE-550 02 Jönköping, Sweden

Visitor address: Slottsgatan 14
SE-553 22 Jönköping

Telephone: +46 (0)36-34 29 80

Telefax: +46 (0)36-12 56 99

www.sensys.se

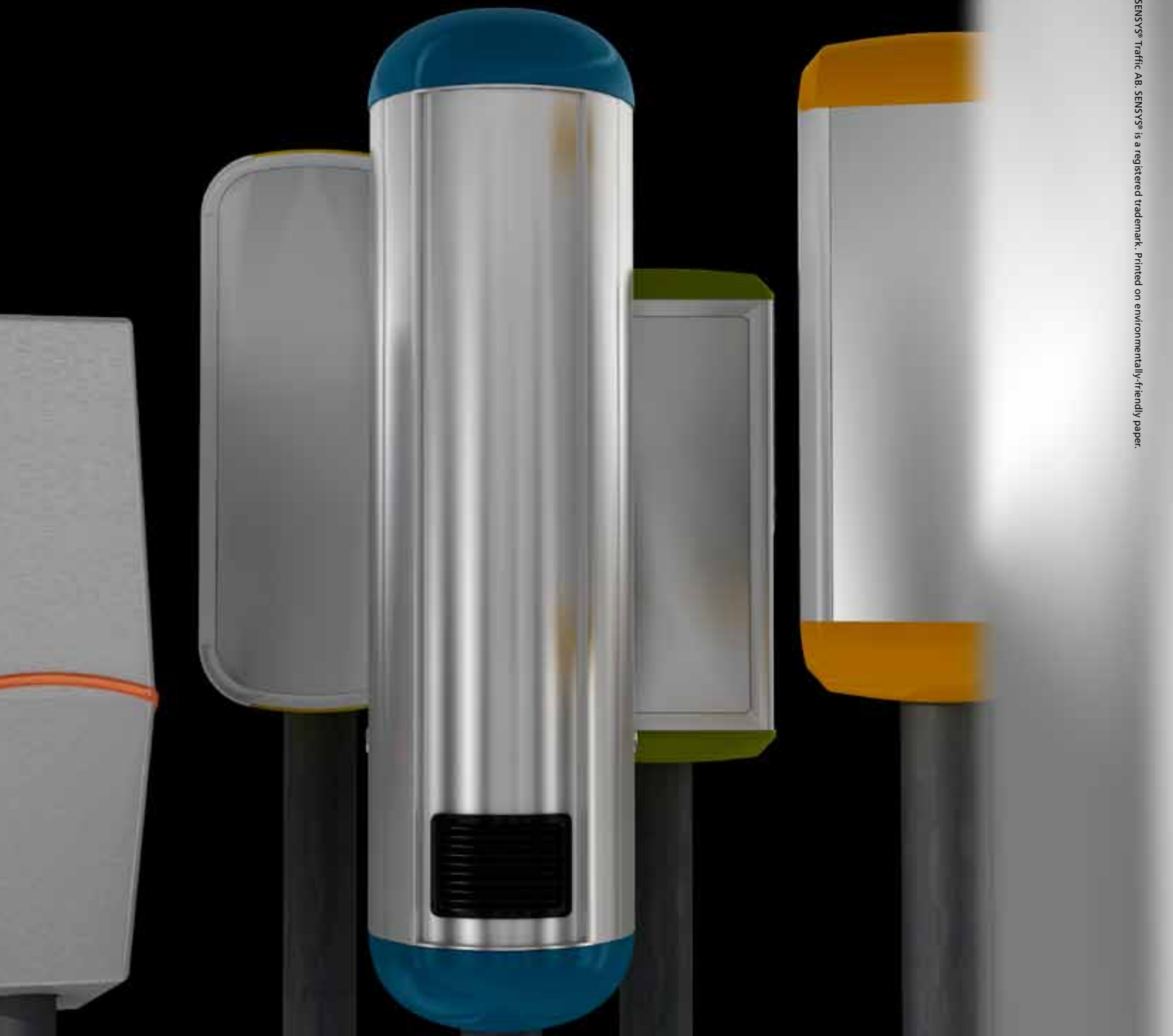
DEVELOPMENT OFFICE

Postal and visitor address:
C/o Technosite
Smedgränd 3
SE-753 20 Uppsala, Sweden

Telephone: +46 (0)018-18 66 67



A speed enforcement system located in a tunnel in Albania.



SENSYS Traffic AB (Publ) Visiting address: Slottsgatan 14, SE-553 22 Jönköping | Postal address: PO Box 2174, SE-550 02 Jönköping
Telephone: +46 (0)36-34 29 80 | Fax: +46 (0)36-12 56 99 | E-mail: info@sensys.se | Website: www.sensys.se
Corporate registration number 556215-4459 | VAT Reg. No: SE 556215445901