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## » Annual Report 2011

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 2010, 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](http://www.sensys.se) under *Investera/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](mailto:info@sensys.se).

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## » 2011 in brief

- Net sales for the period SEK 43.4 million (36.8)
- Operating loss SEK -51.9 million (-11.0)
- Loss after tax SEK -38.3 million (-7.8)
- Earnings per share SEK -0.13 (-0.03)
- Cash flow per share SEK -0.11 (-0.05)
- Equity/assets ratio 88 per cent (88)
- Average number of employees 36 (36)

**Every day 3,500 people leave their homes around the world never to return because they have met a sudden and violent end in a traffic accident.**

**If all drivers in Sweden kept the speed limit, more than 100 lives could be saved each year.**

**Reducing the average speed by 1 km/h would save 25 lives a year in Sweden.**





## » This is SENSYS® Traffic AB

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. 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.

### 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's production is open in its entirety to contract manufacturers, thus offering a flexible supply chain with high capacity that does not tie up capital and is without fixed costs. This is a highly suitable model for SENSYS Traffic's market in which major projects with multiple systems that need to be delivered at short notice are interspersed with periods of reduced demand.
- SENSYS Traffic works with partners, agents, distributors or system integrators in their local markets. Collaboration with local players is controlled by SENSYS Traffic's sales management in Sweden. This makes it much easier for SENSYS Traffic to manage risks and opportunities in local markets and to achieve an exchange of the company's own sales resources.
- Thanks to its strong development department, SENSYS Traffic has the ability to quickly adapt systems to the requirements made by different local markets. This is crucial for ensuring Sensys Traffic qualifies for tenders and can deliver solutions promptly.
- SENSYS Traffic's cultivation of new markets is chiefly focused on growing and future markets where the potential is judged to be great and entrance barriers relatively small. Over the next few years, growth is primarily anticipated in North America, the Middle East and Eastern Europe.

### OUR STRENGTHS

- Sensor technology with tracking radar. With this technology, Sensys Traffic can offer the highest precision and security of life and property in the market, which is crucial both for securing the acceptance of the general public and the system's efficiency and operating economy.
- Extremely high delivery capacity and flexible chain of production. Production via contract manufacturers is crucial for SENSYS Traffic's capacity to implement major business contracts and maintain a cost-efficient organisation.
- Development expertise. Sensys has the capacity to adapt its systems to local customer requirements.



## WHAT WE DELIVER

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.

SENSYS Traffic has also been working with the Swedish Transport Administration to develop a system for detecting defective pantographs on electrically powered trains. Since 2009, the system has been assessed by train operators in the Nordic region, and in 2010 SENSYS Traffic delivered and installed systems in Sweden, Finland and the Netherlands.

## OUR 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 Organization (WHO), approximately 1.2 million people are the victims of traffic accidents every year. Automatic traffic monitoring, such as speed and red-light monitoring, 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.

## 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 the police authority in the United Arab Emirates.

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 col-

laboration 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

As at 31 December 2011, SENSYS Traffic had 39 employees. Around half of the employees (16 persons) work in research and development. We have six people working in marketing and sales, while eight 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 at internal meetings.

## SOCIAL DIALOGUE

SENSYS Traffic engages in continual consultations and discussions with public bodies on issues of current concern. The main government agencies whose remits 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.

## » Statement by the CEO

### *-Stronger position, but few deals in 2011*

Few contracts have been concluded in recent years, and 2011 proved another weak year for the industry and for SENSYS Traffic. The economic downturn and poor access to credit resulted in protracted procurement processes. Despite the meagre results, SENSYS Traffic did not lose any significant procurement contract in 2011 and the company's portfolio of prospective contracts continued to grow.

Most of the sales in 2011 came from our largest markets in the Nordic region and the Middle East. Over a period of several years we have, together with our customers, created a safer traffic environment in these markets, improving our opportunities to win future deals. In the current market climate it is reasonable to assume that these markets will continue to grow in importance for us. At the same time we also strengthened our position in North America on the back of strong growth in sales and orders. North America is a large but fragmented market where we are working to gradually capture market share and strengthen our position.

We continued to develop a good business model for operator markets where customers want to purchase not just systems but also the operation of the systems. We are in discussions about entering into joint ventures with operator partners in a number of selected markets, including Eastern Europe and North and South America. It is important to understand that an operator deal is a major and different type of deal, in terms of potential revenues and ear-

nings as well as responsibilities. To avoid bitter consequences, we therefore map the risks in each potential deal through a due diligence. It was such a due diligence which showed that the procurement contract for Armenia that our consortium won in July 2011 had been won in breach of the applicable procurement rules. Our delivery therefore risked being declared invalid retrospectively, which we deemed an unacceptable risk. To avoid this, we have chosen to let an Armenian court review the agreement. For this type of deal there is also a requirement that the systems be funded for a certain period of time. Such funding can take be arranged in different ways and in different combinations. A stronger financial position makes it easier for Sensys to obtain such funding and also lowers the cost of funding. A key factor in this context is that we will soon be proposing a right issue.

Further progress has been made on railway deal, which for us comprises systems for monitoring of pantographs on trains (APMS). In 2011 Sensys delivered APMS to Sweden and Finland. We also initiated a partnership with Lloyd's Register in the Netherlands, where APMS will be integrated in Lloyd's Gotcha platform, a complete system for measuring the impact of trains on rails and signal cables. Almost immediately, the system detected the first damaged pantograph. SENSYS Traffic sees good opportunities in the partnership with Lloyd's Register, also in markets outside the Netherlands.

The discontinued project in Saudi Arabia has continued to weigh on SENSYS Traffic, resulting in a write-down of SEK 28.8 million on the systems we prepared for delivery. The write-down has been recognised in the income statement for 2011. Our liquidity was reduced when Telvent, a Spanish customer, exercised the bank guarantee worth SEK 16.7 million which Sensys issued upon signing the contract in June 2008. We are now involved an arbitration process with Telvent that is expected to continue for several more months. Only when it is completed will it be clear who is actually entitled to these funds and other compensation.

While several deals are pending we see that politicians worldwide are now actually taking action to address the high rates of road deaths. Last year marked the start of the UN's Decade of Action for Road Safety, and several countries turned words into deeds in the effort to improve road safety. Poland initiated the procurement of its first automated speed monitoring systems, and both Denmark and Sweden are preparing to procure new systems. In several Middle Eastern and North African countries ambitious traffic monitoring projects are in a procurement phase. In parallel with this we are building positions in North America and in few selected operator markets as well as in railway systems. I am convinced that our efforts and our perseverance in the market will bear fruit.

Jönköping, February 2012

  
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 31 December 2011, the share capital amounted to SEK 14,395,137 divided into 287,902,734 shares. Each share gives the right to one vote.

### SHARE PRICE

The highest price paid for SENSYS Traffic shares in 2011 was SEK 1.15 (14 February) and the lowest price paid SEK 0.34 (12 December). The last price paid on 31 December 2011 was SEK 0.45 (1.16).

In 2011, a total of 114,951,947 (64,646,669) Sensys Traffic shares were traded on the Stockholm Stock Exchange which corresponded to a turnover rate of 40 (30). At the end of the year, the market value amounted to SEK 115 million (118).

### 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	21,8	21,8
Swedish shareholders	78,2	78,2
of whom		
- Institutions	24,6	24,6
- Private persons	53,6	53,6

### OWNERSHIP CONCENTRATION

	Capital %	Votes %
The 10 largest shareholders	28,8	28,8
The 20 largest shareholders	38,6	38,6
The 100 largest shareholders	57,0	57,0

### THE 20 LARGEST SHAREHOLDERS

The ownership structure of Sensys Traffic AB at 31 December 2011 was as follows:

	No. of shares	Proportion of shareholders %
Sten K Johnson	17 100 380	5,9
Barclays Cap Sec Cayman Client	14 215 909	4,9
Försäkringsaktiebolaget, Avanza Pension	14 140 426	4,9
SIX SIS AG, W8IMY	6 370 665	2,2
Wall AB, Curt & Inger	5 666 666	2,0
Nordnet Pensionsförsäkring AB	5 586 161	1,9
Danica Pension	5 414 029	1,9
Banque Carnegie Luxembourg SA	5 043 063	1,8
Försäkrings AB Skandia	4 801 264	1,7
SEB Life (Ireland) 4031	4 515 464	1,6
Jan Bengtsson	4 000 000	1,4
AN Holding AB	3 866 666	1,3
JP Morgan Bank	3 572 312	1,2
Peter Svensson	2 792 454	1,0
Robur Försäkring	2 740 417	1,0
SEB (Ireland) 4060	2 666 667	0,9
Clarence Bergman	2 416 666	0,8
Granit Småbolag	2 250 000	0,8
Services AB, Arding Language	2 100 000	0,7
ABN Amro Bank NV, W8IMY	1 846 999	0,6
<b>Total, 20 largest shareholders</b>	<b>111 106 208</b>	<b>38,5 %</b>
<b>Total, other shareholders (10,802)</b>	<b>176 796 526</b>	<b>61,5 %</b>
<b>Total</b>	<b>287 902 734</b>	<b>100,0 %</b>



## » 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 2011.

### 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 amounted to SEK 43.4 million (36.8) where the major part pertains to deliveries of speed systems for the Swedish Transport Administration and APMS systems (for pantographs). In 2011 inventories were written down by SEK 28.8 million, resulting in a negative gross margin for the full year. Excluding this inventory write-down, the gross margin for the full year was 59 per cent (46). The comparative figures for 2010 include currency effects attributable to forward hedging of a trade receivable, which has been recognised in other operating income in the amount of SEK 11.4 million.

The loss before tax was SEK -51.8 million (-10.4).

### LIQUIDITY

SENSYS Traffic has had a strong emphasis on exploring opportunities to sell the remaining inventory from the Telvent project while simultaneously looking for a solution to meet liquidity requirements for the company's ongoing operations.

Cash and cash equivalents amounted to SEK 17.8 million (53.0) at the end of the year, of which SEK 0.4 million (20.4) were frozen assets.

Cash flow from operating activities in 2011 was SEK -31.8 million (-13.1), of which SEK -15.1 million is attributable to the company's regular operations and SEK -16.7 million refers to the payment of a bank guarantee to Telvent.

### PER SHARE DATA AND KEY PERFORMANCE INDICATORS

Earnings per share were SEK -0.13 (-0.03) and equity per share was SEK 0.39 (0.53). The equity/assets ratio at year-end was 88 per cent (88).

### 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

On 27 January SENSYS called an extraordinary general meeting for 19 March where shareholders will be asked to authorise a rights issue with detachable warrants. Upon full subscription of the issue, SENSYS would raise SEK 28.8 before issue costs. In case of full exercise of warrants to subscribe for shares the company would raise additional funds of approximately SEK 9.6 million (March 2013) and approximately SEK 20.8 million (October 2013). The Board of Directors believes the liquid assets raised through the rights issue will be sufficient to cover the company's needs over the coming twelve months. If the rights issue is not fully subscribed SENSYS Traffic may need to seek other funding, such as loan funding. In connection with announcement of the rights issue SENSYS Traffic gave notice of dismissal to seven persons.

### PERSONNEL

The average number of employees was 36 persons (36). The number of employees at the end of the period was 39 (35).

### 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.

In 2011 SENSYS Traffic initiated the process of applying for ISO 9001:2008 certification, which is expected to be completed successfully in the second quarter of 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. Since 2009, SENSYS Traffic has reviewed options for cost-effectively protecting its investments in technological and product development as well as the SENSYS Traffic brand.



## 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 questions that are of fundamental significance, or of unusual character or of considerable value. The registered office of the company is located 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 2011 established policies for the remuneration of the company's senior executives. The company's senior executives include the CEO and six members of SENSYS Traffic's senior management. The principles are chiefly that the company shall endeavour to offer remuneration adjusted to market conditions and that these shall be established by the Board of Directors in consultation 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
- » Long-term variable remuneration
- » Pension benefits
- » Other benefits and severance terms

Salaries and remuneration of the CEO and other senior executives for 2011 are listed in note 1.

#### **Proposed guidelines for remuneration and other employment conditions of the company's senior executives in 2012 (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 2012 is composed of Johan Frilund (CEO), Göran Löfqvist, Helena Claesson, Kjell Lundgren, Magnus Ferlander, Hans Skalin and Jörgen Andersson.

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, a variable salary, pension and other remuneration. Together, these various parts shall comprise each individual's total remuneration.

Fixed salary and variable salary shall together form the employee's salary. The fixed salary (which for the Chief Executive Officer amounts to SEK 1,747 thousand) shall take into consideration each individual's area of responsibility and experience. The variable salary shall depend on each individual's fulfilment of quantitative and qualitative goals. The Chief Executive Officer's variable salary is primarily based on the company's pre-tax profit, in combination with orders received, and may amount to a maximum of SEK 888,200. For other senior executives variable pay is also essentially based on the company's earnings before tax and orders received, and is limited to a total of SEK 2,701,200.

No bonus was paid to the CEO or other senior executives in respect of the financial year 2011. 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, the risk in individual customer projects (Telvent) and how these are managed is given in note 22.

#### **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 2011. For more information, see page 10, Share information and ownership structure.

#### **OUTLOOK FOR 2012**

Despite the fact that the market for traffic monitoring systems continues to be characterised by extremely strong demand, both from the existing customer base and new markets offering opportunities for growth,

SENSYS Traffic AB has chosen not to publish any sales forecasts for 2012. Among our potential customers there continues to be a great deal of uncertainty concerning outcomes and schedules for implementation, which is why a forecast is not considered appropriate at present. Sensys Traffic is working to compensate for this uncertainty by cultivating an increased volume of potential customers.

#### **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	47,282,578
Profit/loss brought forward	64,897,784
<u>Loss for the year</u>	<u>-38,287,836</u>
<b>Total</b>	<b>73,892,526</b>

With reference to the above and any other information that has come to the attention of the Board, the Board is of the opinion that no dividend should be paid for 2011.

# » Corporate Governance Report 2011

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 Nasdaq OMX Nordic Exchange in Stockholm. 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 AB ("the Stockholm Stock Exchange") and the Swedish Code for Corporate Governance.

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

The SENSYS Traffic share has been listed on the Stockholm Stock Exchange since 2001. The share capital of Sensys Traffic amounts to SEK 14.4 million. The number of outstanding shares of SENSYS Traffic amounts to 287,902,734 and the number of shareholders at the end of the year was 10,802. All shares have the same voting right and equal right to the company's profits and equity. For further information about the ownership structure, trading and share price movements, see pages 10-11 of the Annual Report.

The single largest shareholder is Sten K Johnsson with 6 per cent of the total number of shares as at 31 December 2011.

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 monitoring 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 2011

The Annual General Meeting of Shareholders in Sensys Traffic was held on Thursday 26 April 2011 in Jönköping. Eighteen (16) shareholders or their representatives, were present at the Meeting, representing approximately 10 (11) per cent of the votes. Peter Svensson was elected Chairman of the Meeting. All directors elected by the Meeting were present.

The Chief Executive Officer informed the Annual General Meeting of the development and position of the company and commented on the results for 2010 and the first quarter of 2011. During the Annual General Meeting, shareholders were given the opportunity to ask questions, which

were answered during the AGM.

The AGM authorised the Board of Directors to decide to issue new shares or buy back shares of the company. This authorisation was not used during the year.

## 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 2010, in accordance with the proposal of the Board of Directors and CEO (SEK 0.00 per share for financial year 2009).

That the Board of Directors should consist of 5 Board members (4). Jeanette Jakobsson, Anders Norling and Ivan Rylander were re-elected to the Board. Ingemar Skogö was appointed as a new Board member as was Claes Ödman in place of Jan Bengtsson who chose not to stand for re-election.

Re-election of Chairman of the Board Peter Svensson.

- The AGM adopted the Annual Report for 2010 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 Pricewaterhouse Coopers (PwC) as auditing firm with the auditors Martin Odqvist and Magnus Brändström for the period until the Annual General Meeting 2012.

## Nominating committee

In accordance with a resolution passed at the 2010 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 is composed of the Lars Gunnar Berntson, Jan Johanson, Jan Ahnberg and Sten K Johnson, the latter being elected chairman of the nominating committee.

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 2011.

### Board of Directors

The Board of Directors makes decisions relating to SENSYS' 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 nine minutes 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 2011, 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 does not include any special committees.

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, Hans Skalin, 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 2012 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 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](http://www.sensys.se)). The company's information policy in a separate document ratified by the Board of Directors.

### Deviations from the Code's regulations

- The Board of Sensys Traffic does not have an audit committee – the whole Board takes responsibility for ensuring the audit work is effective in securing acceptable routines for the company for internal controls and accurate financial reporting of a high quality.

- The Board of SENSYS Traffic does not have a remuneration committee – 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. The Board compiles target figures for variable remuneration and retirement benefits, other benefits and other employment conditions of the company's senior executives.

Apart from the above deviations, the Code is put into practice by Sensys Traffic. The Board is responsible for ensuring the Code is observed by the Board as well as the Chief Executive Officer and the rest of the company.

## » 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 observes the terms of the listing agreement with the Stockholm Stock Exchange and the Swedish Code for Corporate Governance. 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: 2 792 454.



**JEANETTE JAKOBSSON**

Born 1967. Board member since 2010. COO Budde Schou AB. Chairman of an unlisted company.

Education: MBA degree and Law degree.

Shareholding: 25 333.



**CLAES ÖDMAN**

Born 1965. Board member since 2011. Has held a series of executive positions at Ericsson AB in Stockholm since 2005. Before that he held executive positions at Ericsson in Singapore and Taiwan.

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

Shareholding: 0.



**ANDERS NORLING**

Born 1951. Board member since 2006. Formerly CEO of Anoto Group AB. Previously CEO of Sensys Traffic AB, Schmidt UK and the Broddway Group.

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

Education: Master of Engineering, Linköping Institute of Technology.

Shareholding: 3,866,666 with company and 1,104,000 private, total 4,970,666 shares.



**IVAN RYLANDER**

Born 1948. Board member since 2002. CEO of RTI Electronics AB. Previously CEO of SAAB Combitech Traffic AB.

Education: Master of Engineering, Master of Business and Administration

Shareholding: 266 666.



**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, Sweroad AB.

Education: M.Sc. in Economics and Business.

Shareholding: 40 000.

### 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
Jan Bengtsson	4/4	1944	2000	Swedish	Board member	Independent
Anders Norling	7/8	1951	2002	Swedish	Board member	Independent
Ivan Rylander	8/8	1948	2002	Swedish	Board member	Independent
Ingemar Skogö	4/5	1949	2011	Swedish	Board member	Independent
Claes Ödman	5/5	1965	2011	Swedish	Board member	Independent



## » Income statement

SEK	Note	2011	2010
Net sales	2, 3	43 370 729	36 816 246
Cost of goods sold		-17 930 182	-19 701 786
Adjustment of value of inventories	8	-28 800 000	0
<b>Gross profit/loss</b>		<b>-3 359 453</b>	<b>17 114 460</b>
Sales costs	5	-23 670 449	-18 416 032
Administration costs	5	-5 878 437	-5 416 585
Development costs	5	-19 021 143	-15 680 354
Other operating income	4	0	11 355 629
<b>Operating profit/loss</b>	1, 4, 5, 12, 13, 20	<b>-51 929 482</b>	<b>-11 042 882</b>
<i>Profit/loss from financial investments</i>	12		
Interest income/foreign exchange gains		484 619	1 155 873
Interest expense/foreign exchange loss		-375 396	-494 041
<b>Profit/loss after financial items</b>		<b>-51 820 259</b>	<b>-10 381 050</b>
Income tax	14	13 532 423	2 608 729
<b>PROFIT OR LOSS FOR THE YEAR/TOTAL PROFIT OR LOSS FOR THE YEAR</b>		<b>-38 287 836</b>	<b>-7 772 321</b>
Earnings per share before dilution		-0,13	-0,03
Earnings per share after dilution		-0,13	-0,03
Proposed dividend per share		0,0	0,0
Average number of outstanding shares before dilution, thousand		287 903	217 899
Average number of outstanding shares after dilution, thousand		287 903	217 899
Number of outstanding shares, thousand		287 903	287 903

## » Balance sheets

SEK	Note	2011-12-31	2010-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Brand	6	277 190	369 582
		<b>277 190</b>	<b>369 582</b>
<b>Property, plant and equipment</b>	7		
Machines and other technical plant		57 500	166 484
Equipment		99 436	290 871
		<b>156 936</b>	<b>457 355</b>
<b>Financial assets</b>			
Deferred tax recoverable	14	40 854 205	27 321 782
Receivable, Telvent	9	16 667 823	0
Shares in group company	10	50 000	50 000
		<b>57 572 028</b>	<b>27 371 782</b>
<b>Total non-current assets</b>		<b>58 006 154</b>	<b>28 198 719</b>
<b>Current assets</b>			
<b>Stocks and inventories</b>	8		
Raw materials and consumables		10 276 551	7 003 313
Finished products and goods for resale		34 802 405	71 041 923
		<b>45 078 956</b>	<b>78 045 236</b>
<b>Current receivables</b>			
Trade receivables	11	4 944 189	10 519 066
Other receivables		1 865 729	1 227 161
Prepaid expenses and accrued income	15	1 106 880	987 843
		<b>7 916 798</b>	<b>12 734 070</b>
<b>Cash and cash equivalents</b>			
Cash and bank	16	17 846 822	53 003 733
		<b>17 846 822</b>	<b>53 003 733</b>
<b>Total current assets</b>		<b>70 842 576</b>	<b>143 783 039</b>
<b>TOTAL ASSETS</b>		<b>128 848 730</b>	<b>171 981 758</b>



## » Balance sheets

SEK	Note	2011-12-31	2010-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	17		
<b>Restricted equity</b>			
Share capital		14 395 137	14 395 137
Statutory reserve		25 214 947	25 214 947
		<b>39 610 084</b>	<b>39 610 084</b>
<b>Non-restricted equity</b>			
Share premium reserve		47 282 578	47 282 578
Profit/loss brought forward		64 897 784	72 670 105
Profit/loss for the year		-38 287 836	-7 772 321
		<b>73 892 526</b>	<b>112 180 362</b>
<b>Total shareholders' equity</b>		<b>113 502 610</b>	<b>151 790 446</b>
<b>Provisions</b>	19		
Long-term provisions		1 294 300	1 288 000
Short-term provisions		1 115 000	1 607 000
<b>Provisions</b>		<b>2 409 300</b>	<b>2 895 000</b>
<b>Current liabilities</b>			
Liabilities to customers		1 913 549	199 699
Foreign currency liabilities to credit institutions		0	3 330 000
Trade payables		2 525 482	4 842 105
Other liabilities		600 551	1 262 298
Accrued expenses and deferred income	18	7 897 238	7 662 210
<b>Total current liabilities</b>		<b>12 936 820</b>	<b>17 296 312</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>128 848 730</b>	<b>171 981 758</b>
<b>PLEDGED ASSETS AND CONTINGENT LIABILITIES</b>			
Pledged assets	21	18 900 000	38 898 000
Contingent liabilities		None	None

### CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward including profit/loss for the year	Total equity
Shareholders' equity 1 Jan 2010	10 796 353	25 214 947	2 420 000	72 670 105	111 101 405
New share issue	3 598 784		44 862 578		48 461 362
Profit/loss for the year/Total profit/loss				-7 772 321	-7 772 321
Shareholders' equity 31 Dec 2010	14 395 137	25 214 947	47 282 578	64 897 784	151 790 446
Profit/loss for the year/Total profit/loss				-38 287 836	-38 287 836
Shareholders' equity 31 Dec 2011	14 395 137	25 214 947	47 282 578	26 609 948	113 502 610

## » Cash flow

SEK		2011-12-31	2010-12-31
<b>Operating activities</b>			
Operating profit/loss		-51 929 482	-11 045 183
<b>Adjustments for non-cash items</b>			
Adjustment of value of inventories	8	28 800 000	0
Depreciation and amortisation	6, 7	392 812	445 369
		<b>-22 736 670</b>	<b>-10 599 814</b>
Interest received		275 709	47 777
Interest paid		-38 032	-246 223
Exchange rate effects		-128 454	860 276
<b>Cash flow from operating activities before changes in working capital</b>		<b>-22 627 447</b>	<b>-9 937 984</b>
<b>Cash flow from changes in working capital</b>			
Trade receivables		5 574 875	-1 614 291
Stocks and inventories	8	4 166 279	4 753 202
Trade payables		-2 316 623	-854 481
Guarantee payment Telvent	9	-16 667 823	0
Other changes in working capital		43 828	-5 490 786
<b>Cash flow from operating activities</b>		<b>-31 826 911</b>	<b>-13 144 340</b>
<b>Investment activities</b>			
Acquisition of property, plant and equipment		0	0
<b>Cash flow from investment activities</b>		<b>0</b>	<b>0</b>
<b>Financing activities</b>			
New share issue		0	48 461 362
Repayment of loans		-3 330 000	0
<b>Cash flow from financing activities</b>		<b>-3 330 000</b>	<b>48 461 362</b>
<b>Cash flow for the year</b>		<b>-35 156 911</b>	<b>35 317 022</b>
Cash and cash equivalents at beginning of the year		53 003 733	17 686 711
Cash and cash equivalents at end of the year		17 846 822	53 003 733



## » Five-year summary

The figures below for 2007-2011 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.

INCOME STATEMENTS	2011	2010	2009	2008	2007
Sales	43 371	36 816	72 379	126 904	64 203
Operating expenses	-95 300	-47 859	-105 323	-99 559	-69 599
<b>Operating profit/loss</b>	<b>-51 929</b>	<b>-11 043</b>	<b>-32 944</b>	<b>27 345</b>	<b>-5 333</b>
Financial items	109	662	345	3 044	1 856
<b>Profit/loss before tax</b>	<b>-51 820</b>	<b>-10 381</b>	<b>-32 599</b>	<b>30 389</b>	<b>-3 477</b>
Income tax	13 532	2 609	8 619	-9 588	959
<b>Profit/loss for the year/Total profit/loss</b>	<b>-38 288</b>	<b>-7 772</b>	<b>-23 980</b>	<b>20 801</b>	<b>-2 518</b>

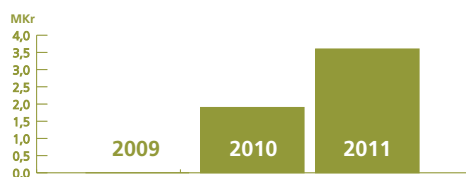
  

BALANCE SHEETS	2011	2010	2009	2008	2007
Non-current assets	58 006	28 198	25 985	17 187	29 210
Current assets	70 843	143 783	112 026	208 879	115 155
<b>Total assets</b>	<b>128 849</b>	<b>171 981</b>	<b>138 011</b>	<b>306 066</b>	<b>144 365</b>
Shareholders' equity	113 503	151 790	111 101	145 878	125 077
Long-term liabilities	0	0	7 545	0	0
Current liabilities	15 346	20 191	19 365	160 188	19 288
<b>Total equity and liabilities</b>	<b>128 849</b>	<b>171 981</b>	<b>138 011</b>	<b>306 066</b>	<b>144 365</b>

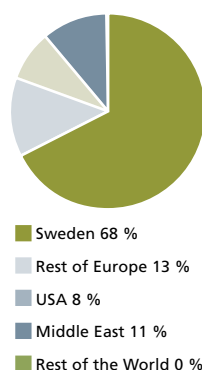
  

DATA PER SHARE	2011	2010	2009	2008	2007
Earnings per share 31 Dec, SEK	-0,13	-0,03	-0,11	0,09	-0,01
Equity per share, SEK	0,39	0,53	0,51	0,67	0,57
Dividend per share, SEK	0	0	0	0,05	0
Share price 31 Dec, SEK	0,45	1,16	2,24	1,62	2,85
P/E ratio	Neg	Neg	Neg	18,00	Neg
Number of shares at end of period before full conversion <sup>1)</sup> , thousand	287 903	287 903	215 927	215 927	215 927
Number of shares at end of period after full conversion <sup>1)</sup> , thousand	287 903	287 903	215 927	215 927	215 927
Average number of shares during the period before full conversion <sup>1)</sup> , thousand	287 903	287 903	215 927	215 927	214 497

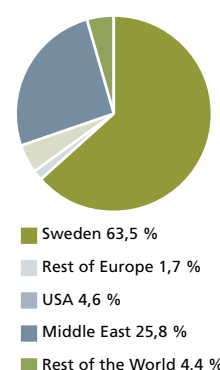
<sup>1)</sup> In order to facilitate comparison over the years, the number of shares at the end of each period has been adjusted to take into consideration the split and bonus issues.



Sales to the US from 2009 to 2011.



Sales for 2011 by geographic territory



Sold systems since 2000 by geographic territory

KEY FIGURES AND RATIOS	2011	2010	2009	2008	2007
Adjusted equity (SEK)	113 503	151 790	111 101	145 878	125 077
Capital employed	113 503	155 120	111 101	145 878	125 077
Interest-bearing liabilities	0	3 330	7 545	0	0
Return on equity, %	Neg	Neg	Neg	15	Neg
Return on capital employed, %	Neg	Neg	Neg	23	Neg
Operating margin, %	Neg	Neg	Neg	21	Neg
Net margin, %	Neg	Neg	Neg	16	Neg
Rate of asset turnover, multiple	0,32	0,28	0,56	0,93	0,50
Equity/assets ratio, %	88	88	80	47	86
Proportion of risk-bearing capital, %	88	88	80	47	86
Cash flow for the year	-35 157	35 317	-37 250	-33 542	2 432
Investments in property, plant and equipment	0	0	135	176	763
Investments in intangible assets	0	0	462	0	0
Average number of employees	36	36	42	38	33

## 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 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

## ACCOUNTING 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 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 RS240 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.

#### 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 and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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 the write-down of 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. Deferred tax is recognised on the basis of applicable tax rates.

### LEGAL STRUCTURE

Sensys Traffic consists of Sensys Traffic AB (publ) and the wholly-owned subsidiary Sensys International AB. The shares in the subsidiary were acquired in July 2010. The subsidiary company is wholly dormant and 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, INTANGIBLE ASSETS

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 over a period of at least three years are recognised as intangible assets. The related projects have been valued as the total of direct costs plus reasonable amounts for indirect costs.

Thereafter, research and development costs, which can often be considered as additional costs for product adaptation, have not fulfilled all criteria required to be taken up as an asset in the balance sheet, and have therefore been reported in the income statement. As of 2006, the company's manufacture and sale of products have become more extensive and regular. Depreciation and amortisation for development costs have therefore been recognised as cost of goods sold.

Sensys Traffic's intangible assets include the right to the Sensys brand in the European Union and a number of other selected countries, the right to the [www.sensys.se](http://www.sensys.se) domain name and copyright of in-house-developed software used in the company's radar sensors and systems. Intangible assets are stated at cost less accumulated amortisation and any write-downs that may have been made.

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 write-downs that may have been made.

## DEPRECIATION, AMORTISATION AND WRITE-DOWNS

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:

· Brand	5 years
· Machines	5 years
· Other equipment	5 years

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

## STOCKS AND INVENTORIES

Stocks and 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 13.

## 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 cost 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. Write-downs of trade receivables are 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 have a short anticipated term and are valued without discounting at a nominal amount. 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 requirements 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 em-

ployees 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' 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 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 2011 Sensys had a deferred tax asset of SEK 40.8 million, which requires, within a reasonable period of time, positive results of approximately SEK 155 million in order to make full use of these tax losses.

There is considerable uncertainty about the outcome of procurement processes in the traffic safety industry, largely because of political sensitivities in individual projects, which is why it is not possible to make a forecast. However, management expects that demand for traffic monitoring systems in the global market in which Sensys operates will continue to expand, creating opportunities for growth both from Sensys' existing customer base and in new markets. For more information, see note 14.

### Telvent

For a prolonged period of time, Sensys and Spanish company Telvent Trafico y Transporte SA have negotiated over the conclusion of the contract in Saudi Arabia. As an agreement could not be reached, in March 2011 Sensys decided to take the case against Telvent to arbitration. No provisions have been made for potential damages claims. The company is currently not able to make a financial assessment of what the outcome may be.

Any damages awarded would have a direct impact on earnings, while Sensys expects that any negative impact on liquidity would be limited to damages exceeding SEK 16.7 million (EUR 1.9 million). For more information, see note 9.

In February Sensys initiated a dialogue aimed at reaching a private settlement with Telvent in response to an invitation from them.

## Armenia

In April 2011 Sensys concluded a consortium agreement with Security Dream (an American company) on a joint tender in a procurement by the Armenian police authority. The consortium subsequently won the procurement. However, it has subsequently emerged that the procurement was conducted in breach of the applicable procurement rules. For this reason, Sensys has applied for the agreement to be reviewed by an Armenian court. Sensys is not able to make any prediction about whether the project will continue and when that may happen. The risk in the project is deemed to be limited to the court expenses.

## Stocks and inventories

Sensys has an inventory of products produced for a specific customer that have been in storage since the project was terminated. At year-end 2011 this inventory had a value of SEK 62 million. The company deems that the inventory is saleable. However, because of continued technical advances, opportunities to sell the inventory are limited in time, and a decision has therefore been made to write down the inventory in 2011 and 2012. For more information, see note 8.

## 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. In the long term, it is important for the company to release capital from the stock of finished



goods that has accumulated as a result of a cancelled project.

A description of material financial and commercial risks faced by the company is given in note 22.

## **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 2011 have had any material 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

IAS 19 Employee Benefits was amended in June 2011. As IAS 19 is not applied for the company's pension plans, the standard will not have any impact on the company's financial statements. The company intends to apply IAS 19 for the financial year which begins on 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.

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 difficult to assess. The company intends to apply IFRS 10 for the financial year which begins on 1 January 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.

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 2013 and has not yet evaluated the full impact on the financial statements. The standard has not yet been adopted by the EU.

IFRS 13 Fair Value Measurement provides an exact definition and a single source for fair value measurement and disclosures as well as guidance on application in cases where other IFRS already require or permit fair value measurement. The company has not yet evaluated the full impact of IFRS 13 on the financial statements. The company intends to apply the new standard for the financial year which begins on 1 January 2013. The standard has not yet been adopted by the EU.

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 Personnel

Average number of employees	2011	2010
Men	33	33
Women	3	3
<b>Total</b>	<b>36</b>	<b>36</b>

Salaries and other remuneration	2011	2010
Board of Directors	390	330
Chief Executive Officer	1 782	1 789
Other senior executives, 6 (5) persons	4 118	3 364
Other employees	13 239	10 661
<b>Total</b>	<b>19 529</b>	<b>16 144</b>

The Board of Directors received remuneration of SEK 390 thousand (330), of which the Chairman received SEK 90 thousand (90). No other remuneration has been paid and other Board members receive equal shares.

Pension costs	2011	2010
Board of Directors	0	0
Chief Executive Officer	441	441
Other senior executives, 6 (5) persons	826	707
Other employees	1 855	1 826
<b>Total</b>	<b>3 122</b>	<b>2 974</b>

Legal and contractual social charges (excluding Board)	2011	2010
	7 540	6 247

#### BONUS

The current bonus agreement for personnel (excluding the CEO) 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.

Payment of bonuses is made as a percentage over a period of three years. In 2008, provision was made for bonus payments to personnel corresponding to SEK 1,483 thousand of which 50 per cent was paid out in April 2010 and the remaining portion in April 2011.

The bonus agreement for the CEO and management team applies since 2010. The variable salary is based in equal part on the company's pre-tax profit, orders received throughout the year plus the capacity to release capital from stock, and may amount to a maximum of SEK 2,919 thousand of which SEK 888 thousand is for the CEO.

No provision for bonuses was made in 2011.

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

The company shall offer market-oriented total remuneration that enables senior executives to be recruited and retained. Remuneration of the company's senior executives shall consist of a fixed salary, a variable salary, pension and other remuneration. Together, these various parts shall comprise each individual's total remuneration. Fixed salary and variable salary shall together form the employee's salary.

The fixed salary shall take into consideration each individual's area of responsibility and experience. The variable salary 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 2011 amounted to SEK 390 thousand (330), of which SEK 90 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 further to the Annual General Meeting held in 2011.

##### Chief Executive Officer

According to contract, the fixed salary of the CEO amounted to SEK 1,747 thousand in 2011.

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

Other senior executives in 2011 were Göran Löfqvist, Helena Claesson, Leif Jormsjö (Jan-Jun), Magnus Ferlander (Jul-Dec), Kjell Lundgren (Apr-Dec), Hans Skalin (Oct-Dec) and Jörgen Andersson.

Other senior executives have been paid a total compensation specified in a resolution from the 2011 AGM, under which the variable salary 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 2011.

##### 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

Breakdown between men and women on SENSYS Traffic's Board of Directors:		2011	2010
Women		17 %	20 %
Men		83 %	80 %
Breakdown between men and women in management		2011	2010
Women		14 %	17 %
Men		86 %	83 %

## NOTE 2 TOTAL SALES

Net sales by region	2011	2010
Sweden	SEK 29,377 thousand	SEK 18,541 thousand
Rest of Europe	SEK 5,648 thousand	SEK 3,594 thousand
USA	SEK 3,637 thousand	SEK 1,890 thousand
Middle East	SEK 4,622 thousand	SEK 10,732 thousand
Rest of the World	SEK 87 thousand	SEK 2,059 thousand
<b>Total</b>	<b>SEK 43,371 thousand</b>	<b>SEK 31,861 thousand</b>

## NOTE 3 RELATED-PARTY TRANSACTIONS

Other than the remuneration paid to the Board of Directors and CEO detailed in note 1, no transactions with related parties have taken place.

## NOTE 4 OTHER OPERATING INCOME

In 2009 the forward exchange contract in Euros was extended. This forward exchange contract was terminated in 2010, resulting in an exchange gain of SEK 11.4 million which was reported as other income.

## NOTE 5 EXPENSES BY NATURE OF EXPENSE

	2011	2010
Raw materials and goods for resale	11 491	14 680
Cost of remuneration to employees (note 1)	31 004	25 322
Advertising and sales costs	7 884	4 509
Cost of leased premises	2 429	2 304
External services	7 132	7 061
Depreciation, amortisation and write-downs (notes 6, 7 and 8)	29 193	445
Other costs	6 164	4 894
<b>Total</b>	<b>95 297</b>	<b>59 215</b>

## NOTE 6 INTANGIBLE ASSETS

### Brand

	2011	2010
<b>Opening accumulated acquisition value</b>	<b>462</b>	<b>462</b>
Acquisitions	0	0
<b>Closing accumulated acquisition value</b>	<b>462</b>	<b>462</b>
Opening accumulated amortisation	-92	0
Depreciation for the period	-93	-92
<b>Closing accumulated depreciation</b>	<b>-185</b>	<b>-92</b>
<b>Carrying amount</b>	<b>277</b>	<b>370</b>



## NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	Machines and other technical plant		Equipment		Motor vehicles	
	2011	2010	2011	2010	2011	2010
Opening accumulated acquisition value	2 552	2 552	2 954	2 954	469	469
Acquisitions	0	0	0	0	0	0
<b>Closing accumulated acquisition value</b>	<b>2 552</b>	<b>2 552</b>	<b>2 954</b>	<b>2 954</b>	<b>469</b>	<b>469</b>
Opening accumulated depreciation	-1 899	-1 876	-1 393	-1 157	-383	-289
Depreciation for the period	-22	-23	-191	-236	-86	-94
<b>Closing accumulated depreciation</b>	<b>-1 921</b>	<b>-1 899</b>	<b>-1 584</b>	<b>-1 393</b>	<b>-469</b>	<b>-383</b>
Opening accumulated write-downs	-573	-573	-1 270	-1 270	0	0
<b>Closing accumulated write-downs</b>	<b>-573</b>	<b>-573</b>	<b>-1 270</b>	<b>-1 270</b>	<b>0</b>	<b>0</b>
<b>Carrying amount</b>	<b>58</b>	<b>80</b>	<b>100</b>	<b>291</b>	<b>0</b>	<b>86</b>

### Breakdown of scheduled amortisation

	2011	2010
Cost of goods sold	89	34
Sales costs	89	187
Administration costs	36	45
Development costs	179	179
<b>Total scheduled amortisation</b>	<b>393</b>	<b>445</b>

### Leasing

The company has entered into the following operating leases:

	Machines, plant and equipment	Premises
Lease payments for the year	334	2 174
Minimum lease payments that fall due within 1 year	342	2 174
Minimum lease payments that fall due within 1 – 5 years	460	1 087
Minimum lease payments that fall due later than 5 years	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 8 STOCKS AND INVENTORIES

	2011	2010
Acquisition value	73 879	78 045
Adjustment of value of inventories	-28 800	0
<b>Carrying amount</b>	<b>45 079</b>	<b>78 045</b>

The company has a stock of products produced for a specific customer that have been in storage since the project was terminated. At year-end 2011 this inventory had a value of approximately SEK 62 million. The company deems that the inventory is saleable. However, because of continued technical advances, opportunities to sell the inventory are limited in time, and a decision has therefore been made to write down the inventory in 2011 and 2012, by a maximum of SEK 7.5 million per quarter. The quarterly write-down is adjusted for orders received each quarter for products which can be taken from this inventory, as the amount written down is the difference between the value of the inventory for orders received and SEK 7.5 million.

## NOTE 9 RECEIVABLE, TELVENT

	2011	2010
Opening receivable, Telvent	0	0
Disbursement under bank guarantee	16 668	0
Closing receivable, Telvent	16 668	0
<b>Carrying amount</b>	<b>16 668</b>	<b>0</b>

As no agreement had been reached between SENSYS Traffic and Telvent Trafico y Transporte SA of Spain, SENSYS Traffic took the decision in March 2011 to initiate arbitration proceedings against Telvent. Telvent responded in the same month by drawing on the bank guarantee for fulfilment issued by SENSYS Traffic when the contract was drawn up. This had a negative liquidity effect of EUR 1.9 million on SENSYS Traffic, which has been accounted for as a receivable from Telvent. At year-end 2011 the receivable was valued at SEK 16.7 million.

## NOTE 10 SHARES IN GROUP COMPANIES

Name	Share of equity	Share of voting power	No. of shares	Carrying amount
SENSYS International AB	100%	100%	500	50 000
<b>Total</b>				<b>50 000</b>
	Corp. reg. no.	Registered office	Shareholders' equity	Result
SENSYS International AB	556811-3376	Jönköping	50 000	0

	2011	2010-12-31
<b>Opening acquisition value</b>	<b>50 000</b>	<b>0</b>
Acquisitions for the year	0	50 000
<b>Closing accumulated acquisition value</b>	<b>50 000</b>	<b>50 000</b>
<b>Carrying amount</b>	<b>50 000</b>	<b>50 000</b>

## NOTE 11 TRADE RECEIVABLES

	2011	2010
Age structure of outstanding trade receivables		
Trade receivables not yet due	4 803	9 687
Trade receivables past due but not impaired:		
< 3 months	97	731
3 – 12 months	44	101
>12 months	0	0
	<b>4 944</b>	<b>10 519</b>

### Trade receivables past due and impaired

	2011	2010
< 3 months	0	0
3 – 12 months	0	0
>12 months	0	7 427
Provision for doubtful trade receivables	0	-7 427
<b>Carrying amount</b>	<b>4 944</b>	<b>10 519</b>

### Change in provision for doubtful trade receivables

	2011	2010
Opening provision	-66	-7 427
Acquisitions (-) / Sales (+)		
Confirmed losses	66	7 361
Reversal of unused provisions	0	0
Provision for the year	0	0
<b>Closing provision</b>	<b>0</b>	<b>-66</b>

## NOTE 12 PROFIT/LOSS FROM FINANCIAL INVESTMENTS

Interest and similar items	2011	2010
Interest income on bank deposits	276	45
Exchange rate effects	209	1 108
Other financial income	0	2
<b>Total financial income</b>	<b>485</b>	<b>1 155</b>

Interest expense on financial liabilities	2011	2010
Trade payables	-7	-7
Exchange rate effects	-337	-248
Almi loan	-31	-239
<b>Total financial costs</b>	<b>-375</b>	<b>-494</b>

## NOTE 13 EMPLOYEE SEVERANCE COSTS

	2011	2010
Cost for dismissal of staff	221	0
<b>Total</b>	<b>221</b>	<b>0</b>

## NOTE 14 TAXES

	2011	2010
Current tax	0	0
Deferred tax	13 532	2 609
<b>Total</b>	<b>13 532</b>	<b>2 609</b>
<b>Difference between tax expense and tax expense based on applicable tax rate</b>		
Profit/loss before tax	-51 820	-10 381
Tax as per applicable tax rate	13 629	2 730
Tax effect of non-deductible expenses	-58	-30
Tax effect of non-deductible income	0	0
Tax adjustment previous years	-39	-91
<b>Tax on profit/loss for the year in accordance with income statement</b>	<b>13 532</b>	<b>2 609</b>

The company's total estimated unused tax losses at 31 December 2011 were SEK 126,342 thousand (103,322). Deferred tax recoverable relating to the aforementioned tax losses with the applicable tax rate (26.3%) amounts to SEK 33,228 thousand (27,322). In the Annual Report and accounts, the entire amount of deferred tax recoverable since 2005 has been stated as an asset. This is based on an assessment made by the company's management and Board of Directors that the company has significantly better potential to utilise these tax losses in the future through growth in profitable sales of the company's products.

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. Since 2005 the company has applied the principle of bringing forward tax losses from loss-making years, recognising the total deferred tax asset as an asset in the annual accounts. This has been based on an assessment made by the company's management and Board of Directors that the company has significantly better potential to utilise these tax losses in the future through growth in profitable sales of the company's products. In December 2011 Sensys Traffic had a deferred tax asset of SEK 40.8 million, which requires, within a reasonable period of time, positive results of approximately SEK 155 million in order to make full use of these tax losses.

However, there is considerable uncertainty about the outcome of procurement processes in the traffic safety industry, largely because of political sensitivities in individual projects, which is why it is not possible to make a forecast. However, management expects that demand for traffic monitoring systems in the global market in which the company operates will continue to expand, creating opportunities for growth both from Sensys' existing customer base and in new markets. Moreover, the company has shown that for large-volume orders the company's production model (outsourcing) provides significant leverage, as the fixed cost base remains the same. The company has reported positive earnings on two occasions since 2005. In these years (2006 and 2008) the company's deferred tax asset was used as far as possible.

At year-end 2011 the company had a temporary tax difference of SEK 7,666 thousand, which mainly relates to inventory obsolescence for a project-specific inventory.

### Temporary tax differences

	2011	2010
Deferred tax recoverable		
Accumulated tax losses	33 188	27 374
Temporary differences relating to inventories	7 574	0
Other temporary differences	92	39
	<b>40 854</b>	<b>27 322</b>

## NOTE 15 PREPAID COSTS AND ACCRUED INCOME

	2011	2010
Prepaid lease payments	34	28
Prepaid rent	479	459
Other items	594	501
<b>Total</b>	<b>1 107</b>	<b>988</b>

## NOTE 16 CASH AND BANK

In December 2010, the company deposited SEK 18.8 million as security in a fulfilment guarantee in relation to Telvent. The guarantee was for 10 per cent of the original order value with a 10 per cent currency risk supplement. At year end 2010, the amount is stated in SEK after adjustment for the prevailing rate of the Euro. In the first quarter of 2011 the company was forced to pay this guarantee, which led to the decision to initiate arbitration proceedings in March 2011.

In 2011 the company also deposited SEK 400 thousand as security in a bid guarantee for a procurement process in Algeria. When the procurement process is completed or the guarantee expires on 31 March 2012 the total amount will be returned to the company after adjusting for interest.



## NOTE 17 SHAREHOLDERS' EQUITY

### Share capital

The share capital of Sensys Traffic AB amounts to SEK 14,395,137 (14,395,137) divided into 287,902,734 (287,902,734) 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 of 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

## NOTE 18 ACCRUED EXPENSES AND DEFERRED INCOME

	2011	2010
Holiday pay liability	3 329	2 964
Social charges	1 604	1 529
Provision for invoices not received	560	550
Bonuses to staff	0	598
Other liabilities	2 404	2 021
<b>Total</b>	<b>7 897</b>	<b>7 662</b>

## NOTE 19 PROVISION FOR GUARANTEE EXPENSES

	2011	2010
Guarantee provision 0-360 days	1 294	1 288
Guarantee provision > 360 days	1 115	1 607
<b>Total</b>	<b>2 409</b>	<b>2 895</b>

## NOTE 20 AUDIT FEES AND REIMBURSEMENT OF RELATED COSTS

	2011	2010
Ernst & Young AB (January - April)		
Audit assignment	194	206
Auditing work over and above the audit assignment	106	192
Tax consultancy	0	34
Other assignments	0	35
PwC (May - December)		
Audit assignment	200	0
Auditing work over and above the audit assignment	0	0
Tax consultancy	187	0
Other assignments	7	0
<b>Total</b>	<b>692</b>	<b>467</b>

"Audit engagement" refers to the examination of the Annual Report and accounting records and of the Board of Directors' and CEO's management of the company, other tasks incumbent upon the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the carrying-out of such other tasks. Everything else is defined as "other engagements". At the 2011 Annual General Meeting PwC were appointed auditors for SENSYS Traffic for the period until the 2012 Annual General Meeting.

## NOTE 21 PLEDGED ASSETS

	2011	2010
Floating charges	18 500	18 500
Frozen assets	400	20 398
<b>Total</b>	<b>18 900</b>	<b>38 898</b>

## NOTE 22 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 personnel. 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, refinancing 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 2011, 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 2011, 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 risks**

It is of crucial importance for the company to succeed in releasing capital from the inventory by supplying systems to existing or new customers. SENSYS Traffic deems that the inventory has a market window of two to three years, after which the inventory has a market window of two to three years, after which it will become subject to technological obsolescence. In 2011 the company therefore decided to write down the value of the inventory by SEK 28,800 thousand. However, the company deems that there will be demand for these products in certain markets for another year or two and is therefore marketing the products in these markets with the aim of selling the systems to customers with corresponding expectations.

#### **Operational risk management**

For Sensys Traffic, a major part of operational risk lies in the management of each individual project. In 2011, Sensys Traffic continued to work on integrating risk management in the project control of each individual procurement. To aid this process, Sensys Traffic has created its "Risk Assessment Analysis" tool that allows the user to identify, handle and, if necessary, accept and limit the risks inherent

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.

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

#### **Risk in individual customer project (Saudi)**

For a prolonged period of time, Sensys Traffic and Telvent Trafico y Transporte SA of Spain have negotiated over the conclusion of the contract in Saudi Arabia. As an agreement could not be reached, in March 2011 Sensys Traffic decided to take the case against Telvent to arbitration. Telvent responded in the same month by drawing on the bank guarantee for fulfilment issued by Sensys Traffic when the contract was drawn up. This had a negative liquidity effect of EUR 1.9 million on SENSYS Traffic, which has been accounted for as a receivable from Telvent. At year-end 2011 the receivable was valued at SEK 16.7 million. No provisions have been made for potential damages claims. The final effect on liquidity and the result of termination of the contract will be determined by the outcome of the arbitration process, and the company is currently not able to make a financial assessment of what the outcome may be. Any damages awarded would, however, have a direct impact on earnings, while the company expects that any negative impact on liquidity would be limited to damages exceeding SEK 16.7 million (EUR 1.9 million).

A ruling in the arbitration proceedings is expected no earlier than December 2012.

#### **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.

#### **NOTE 23 EVENTS AFTER THE BALANCE SHEET DATE**

On 27 January Sensys Traffic called an extraordinary general meeting for 19 March where shareholders will be asked to authorise a rights issue with detachable warrants. Upon full subscription of the issue, Sensys Traffic would raise SEK 28.8 before issue costs. In case of full exercise of warrants to subscribe for shares the company would raise additional funds of approximately SEK 9.6 million (March 2013) and approximately SEK 20.8 million (October 2013). The Board of Directors believes the liquid assets raised through the rights issue will be sufficient to cover the company's needs over the coming twelve months.

If the rights issue is not fully subscribed SENSYS Traffic may need to seek other funding, such as loan funding.

In connection with announcement of the rights issue SENSYS Traffic gave notice of dismissal to seven persons.



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 16 March 2012.

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders on 24 April 2012.

Jönköping, 16 March 2012

Peter Svensson  
Chairman of the Board

Claes Ödman

Jeanette Jakobsson

Ingemar Skogö

Ivan Rylander

Anders Norling

Johan Frilund  
Chief Executive Officer

Our audit report was submitted on 16 March 2012

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 2011. 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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are 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.

#### OTHER MATTERS

With reference to the information presented in the annual accounts, we wish to bring attention to the importance of the company being provided with liquidity during the first half of 2012 for continuation of the operations.

The annual accounts for 2010 were audited by another auditor who, in his audit report dated 4 April 2011, expressed an unmodified opinion on those annual accounts.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have examined 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 2011.

#### 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.

#### 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 opinion.

#### 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.

Jönköping 16 March 2011  
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.

Appointed 2008.

Education: Master of Engineering, Technical Physics at Lund Institute of Technology and MBA at School of Business, Economics and Law at Gothenburg University and Chalmers University of Technology.

Shareholding: 328,222 shares, of which 230,000 in unit-linked insurance plan.



**HELENA CLAESSION**

Chief Financial Officer

Born 1969.

Appointed 2004.

External commissions: None.

Shareholding: 0.



**GÖRAN LÖFQVIST**

Research and Development Director

Born 1967.

Appointed 2000.

External commissions: None.

Shareholding: 54 667



**MAGNUS FERLANDER**

Director of Marketing (from June 2011)

Born 1968.

Appointed 2011.

External commissions: None.

Shareholding: 100.



**KJELL LUNDGREN**

After Sales Director (from April 2011)

Born 1967.

Appointed 2011.

External commissions: None.

Shareholding: 70 000.



**JÖRGEN ANDERSSON**

Purchasing and Logistics Director

Born 1970.

Appointed 2009.

External commissions: None.

Shareholding: 38 666.



**HANS SKALIN**

Director of Quality and Regulatory Affairs

Born 1953.

Appointed 2011.

External commissions: None.

Shareholding: 0.

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](http://www.sensys.se)

## » Information to shareholders

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

- Q1 2012, 24 April
- Q2 2012, 30 Aug
- Q3 2012, 25 Oct
- Year-end report for 2012, 24 Jan 2013

Annual reports and other reports are available at our website at [www.sensys.se](http://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 2012 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 17 April 2012, and to have given notice of their intention to attend the Meeting by 17 April 2012.

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 hand-

led by the trustee/bank and shall be completed with Euroclear Sweden AB by Monday 17 April 2012.

### NOTIFICATION OF INTENTION TO ATTEND

Notice of intention to attend the Annual General Meeting must be made to SENSYS Traffic by 12 noon on 17 April, by mail:  
SENSYS Traffic AB  
PO Box 2174  
SE-550 02 Jönköping

via telephone: 036-34 29 80  
via fax: 036-12 56 99  
or via e-mail: [info@SENSYS.se](mailto: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 Directors.

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 29 April 2010 of the following members

#### Jan Johansson (Chairman)

Jan Johanssons Förvaltnings AB  
Kungsgatan 33  
SE-111 56 Stockholm

#### Sten K Johnson

Midway Holding AB  
PO Box 4241  
SE-203 13 Malmö  
040-301210

#### Lars Gunnar Berntson

Alsnögatan 18  
SE-116 41 Stockholm  
070-6988581

#### Jan Ahnberg

Bofinksvägen 69  
SE-556 25 Jönköping  
+46 (0)36-76485 or +46 (0)708-309711

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](mailto:helena.claesson@sensys.se)  
[www.sensys.se](http://www.sensys.se)



## Addresses

### **SENSYS TRAFFIC AB (PUBL.)**

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SE-550 02 Jönköping, Sweden

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SE-553 22 Jönköping

Telephone: +46 (0)36-34 29 80  
Telefax: +46 (0)36-12 56 99

[www.sensys.se](http://www.sensys.se)

### **DEVELOPMENT OFFICE**

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

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



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