

sensys

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Annual Report

12



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

» Annual Report 2012

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 2011, unless otherwise stated. Data on market and competition conditions are SENSYS Traffic's own estimates. These estimates are based on the best and most up-to-date available information from published sources.

Financial information, both in Swedish and English, is available at www.sensys.se under 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.

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» 2012 in brief

- Net sales for the period SEK 41.0 million (43.4)
- Operating loss SEK -41.5 million (-51.9)
- Earnings after tax SEK -43.1 million (-38.3)
- Earnings per share SEK -0.09 (-0.13)
- Cash flow per share SEK -0.07 (-0.11)
- Equity/assets ratio 89 per cent (88)
- Average number of employees 32 (36)



» 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. In 2011 SENSYS Traffic delivered and installed further systems in Sweden, Finland and the Netherlands, and in 2012 the company also initiated pilot installations in the UK, China and Australia.

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 Organisation (WHO), around 1.3 million people lose their lives and a further 20 to 50 million are injured in traffic each 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 collaboration with partners for the development of flash and lighting technology, image

processing, licence plate recognition and complementary sensor technology. SENSYS Traffic also collaborates with the foremost experts in traffic safety in Sweden, thus contributing to the creation of added value for international customers over and above that of the equipment itself.

ORGANISATION

SENSYS Traffic had 32 employees at 31 December 2012. 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 and customers.

SOCIAL DIALOGUE

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

2012 proved a slightly better year for SENSYS Traffic than 2011. A particularly encouraging development was a sharp increase in our order intake from the international market, where SENSYS received orders from six entirely new markets. We won a procurement in Oman and received an order worth SEK 24 million there that may be followed by further orders. Our partner in the United States, Sensys America, was selected as sole supplier of speed and red light systems for Washington DC. Our total order intake from markets outside Sweden in 2012 was SEK 37 million, almost three times last year's figure.

SENSYS Traffic's strong performance outside Sweden more than offset a weaker performance in Sweden, where the framework agreement for the ATC system expired in December 2011, with the result that the Swedish Transport Administration can no longer place orders under this agreement. In 2012 the Transport Administration launched a new procurement that is aimed at not only replacing old systems but also at expanding the ATC system. This is a major procurement that may stretch to 2021. Sweden has been one of our most important markets, and we are of course making every effort to ensure that it remains so. In early March 2013 we submitted a tender which we believe is attractive technologically, price-wise and in terms of the proposed system. A supplier is expected to be selected in 2013.

Due to the low level of activity in the Swedish markets, most of the company's sales in 2012 were generated in the Middle East. At the same time the United States became one of our most important markets outside the Nordics and the Middle East.

One of my key priorities right now is to improve the stability of our business. We will do this by supplementing today's orders for systems with other types of business that generate a continuous revenue stream. One new initiative in this area is to expand our service offering. This initiative is aimed primarily at our existing major customers, in road traffic as well as rail traffic. The initiative was launched in 2012 and will continue over several years. A second new venture that we are now working actively on, together with local partners, is to conclude operator contracts. The objective is to invest equipment in exchange for a portion of the profits generated by an operator business. This is a different business model, which often achieves good profitability over a longer time perspective. We are currently engaged in discus-



sions on local contracts in Latin America and other regions.

A third way to enhance the stability of our business is to continue to develop our rail business by promoting our APMS (automatic pantograph monitoring system). After a good performance in 2012 we currently have about 30 APMS units in operation with three customers in the Nordic countries as well as four pilot systems with customers and partners outside the Nordic region. We will continue to develop this business globally and believe it has the potential to become self-supporting in 2013.

Alongside these initiatives aimed at improving the stability of our revenue stream, we are of course continuing our efforts to generate sales of our traffic safety systems. We continue to pursue last year's successful strategy, which involves focusing on northern Europe, the Middle East and the US while marketing our products in Africa, eastern Europe and Latin America primarily through business partners.

Tests of our third-generation target-following radar in 2012 have shown that

SENSYS is a technological leader in its field. The new radar offers our customers significant benefits in the form of expanded road width coverage, additional offence categories such as hard shoulder driving, driving too close to the car in front and lorry speed, as well as higher performance in terms of the number of traffic offenders per unit of time. In 2012 systems employing the new radar were taken into use in the United Arab Emirates and Oman, and tests were conducted in several markets with very good results.

We are currently noticing a higher level of activity in markets outside Sweden and are also participating in the Swedish Transport Administration's ongoing major procurement. Through focused and sustained efforts in our core markets and armed with a strong product, I am confident that we will see a very strong performance going forward.

Jönköping, March 2013

A handwritten signature in blue ink, appearing to read 'Johan Frilund'.

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 2012, the share capital amounted to SEK 23,991,894 divided into 479,837,886 shares. Each share gives the right to one vote.

SHARE PRICE

The highest price paid for SENSYS Traffic shares in 2012 was SEK 0.54 (8 February) and the lowest price paid SEK 0.22 (3 July). The last price paid on 31 December 2012 was SEK 0.49 (0.45).

In 2012, a total of 154,059,268 (114,951,947) SENSYS Traffic shares were traded on the Stockholm Stock Exchange, representing a turnover rate of 32 (40). At the end of the year, the market value amounted to SEK 235 million (115).

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	16,3	16,3
Swedish shareholders	83,7	83,7
of whom		
- Institutions	30,3	30,3
- Private persons	53,4	53,4

OWNERSHIP CONCENTRATION

	Capital %	Votes %
The 10 largest shareholders	32,59	32,59
The 20 largest shareholders	40,82	40,82
The 100 largest shareholders	60,42	60,42

THE 20 LARGEST SHAREHOLDERS

The ownership structure of SENSYS Traffic AB at 31 December 2012 was as follows:

	No. of shares	Proportion of shareholders/Votes %
Försäkringsbolaget Avanza Pension	30 337 357	6,32
Sten K Johnson (estate)	28 500 632	5,94
Danske Invest Sverige Fokus	21 000 000	4,38
Danica Pension	16 691 690	3,48
SEB Life (Ireland)	15 089 731	3,14
Nordnet Pensionsförsäkring AB	12 716 486	2,65
Curt Wall	10 296 800	2,15
UBS AG Clients Account	9 392 662	1,96
AN Holding AB	6 444 440	1,34
JP Morgan Bank	5 899 388	1,23
Banque Carnegie Luxembourg SA	5 635 546	1,17
Peter Svensson	4 654 080	0,97
Robur Försäkring	4 519 906	0,94
Granit Småbolag	4 500 000	0,94
Clarence Bergman	4 027 774	0,84
Leif Klevbo	3 600 000	0,75
Services AB, Arding Language	3 499 998	0,73
GGB ANEA, Victory Life	3 300 333	0,69
Jan Kihlberg	2 955 555	0,62
BP2S Paris/No Convention	2 814 441	0,59
Total, 20 largest shareholders	195 876 819	40,82 %
Total, other shareholders (10,802)	283 961 067	59,18 %
Total	479 837 886	100,0 %

» Directors' Report

The Board of Directors and Chief Executive Officer of SENSYS Traffic AB (publ), corporate registration number 556215-4459, hereby present the Annual Report & Accounts for the financial year ended 31 December 2012.

OPERATIONS

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

INCOME AND EARNINGS

Income for the full year was SEK 41.0 million (43.4), of which the single largest portion refers to deliveries of red light systems to Oman as well as APMS systems (for pantographs). The write-down of inventories that was initiated in 2011 resulted in an impairment charge of SEK 4.6 million in 2012 (28.8), producing a gross margin of 27 per cent for the full year (neg). Excluding this inventory write-down, the gross margin for the full year was 38 per cent (59). The lower gross margin for 2012 is due to aggressive pricing of products held in inventory. The company expects that it will be possible to sell the remaining inventory products within the foreseeable future.

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

The loss before tax was SEK -41.4 million (-51.8). The decision of the Swedish Parliament to lower the corporation tax rate to 22 per cent from 2013 has resulted in the restatement of a tax asset. The resulting difference, SEK 6.7 million, has been recognised as a tax expense in the company. The loss after tax was SEK -43.1 million (-38.3).

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 were SEK 12.5 million (17.8) at the end of the

year, of which SEK 0 million (0.4) refers to frozen assets.

Cash flow from operating activities in 2012 was SEK -32.5 million (-31.8). In 2011 SEK -15.1 million was attributable to regular operations, while SEK -16.7 million refers to the payment of a bank guarantee to Telvent.

The company completed a rights issue in the second quarter. The sale of shares, which raised SEK 28.8 million before issue costs, was 94.7 per cent subscribed by shareholders with pre-emption rights and 88.5 per cent subscribed by subscribers without pre-emption rights. The rights issue was thus 83.2 per cent oversubscribed.

PER SHARE DATA AND KEY PERFORMANCE INDICATORS

Earnings per share were SEK -0.09 (-0.13) and equity per share was SEK 0.20 (0.39). The equity/assets ratio at year-end was 89 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

No significant events have taken place after the end of the financial year that affects this Annual Report.

PERSONNEL

The average number of employees was 32 persons (36). The number of employees at the end of the period was 32 (36). In 2012 the company imple-

mented a cost-cutting programme as a result of which seven individuals were given notice of redundancy.

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 obtaining ISO 9001:2008 certification. Following the final review in June 2012, the company has now received its certificate.

RESEARCH AND DEVELOPMENT

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

WORK OF THE BOARD OF DIRECTORS

The members of the Board have long and extensive experience of several different sectors both in Sweden and internationally. The Board includes directors with technical as well as commercial expertise. The Board proceeds according to an established agenda. The Board shall hold four meetings per financial year. Other meetings may be held when necessary. The Board shall primarily devote

its time to all-embracing and long-term issues as well as issues that are of significance for the company. Furthermore, the Board shall continuously assess how the Chief Executive Officer fulfils his responsibilities regarding ongoing operations.

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

The CEO is responsible for ongoing administration according to the guidelines and instructions provided by the Board. In accordance with separate instructions, the CEO shall refer to the Board all questions that are of fundamental significance, or of unusual character or of considerable value. The registered office of the company is located in Jönköping, Jönköping Municipality, Sweden.

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

The Annual General Meeting in 2012 established policies for the remuneration of the company's senior executives. The company's senior executives include the CEO and five members of SENSYS Traffic's senior management. The company endeavours to offer remuneration that is consistent with market terms. Remuneration packages are subject to approval by the Board of Directors 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 2012 are listed in Note 1.

Proposed guidelines for remuneration and other employment conditions of the company's senior executives in 2013 (corresponding with the previous year)

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

already entered into between the company and each executive.

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

The company shall offer market-oriented total remuneration at prevailing market conditions that enables the 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 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 is subject to a limit of 50 per cent of the fixed salary, i.e. SEK 873 thousand. 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 2,311 thousand.

No bonus was paid to the CEO or other senior executives in respect of the financial year 2012.

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

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

RISKS

A description of potential risks and how these are managed is provided in Note 21.

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 2012. For more information, see page 10, Share information and ownership structure.

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

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

OUTLOOK FOR 2013

We are currently noticing a higher level of activity in markets outside Sweden and are also participating in the Swedish Transport Administration's ongoing major procurement. Although the market for traffic monitoring systems is seeing growing demand, with new growth opportunities created both by the existing customer base and the emergence of new markets, SENSYS Traffic AB has chosen not to make a sales forecast for 2013. There is still considerable uncertainty concerning the company's potential customers, both in terms of outcomes and in terms of the timing of any implementation, and it is therefore not currently possible to make a forecast. SENSYS Traffic is working to offset this uncertainty by marketing its products to a larger number of potential customers.

APPROPRIATION OF RETAINED EARNINGS

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

Share premium account	64,782,760
Retained earnings	26,609,948
Deficit for the year	-43,147,425
Total	48 245 283

In view of the above and other information obtained by the Board, the Board deems that no dividend should be paid in respect of 2012.



» Corporate Governance Report 2012

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

EXTERNAL GOVERNANCE SYSTEMS

The external governance systems, which define the framework for corporate governance at SENSYS Traffic, include the Swedish Companies Act and Annual Accounts Act. SENSYS Traffic also follows its listing agreement with NASDAQ OMX Stockholm (the "Stockholm Stock Exchange") and the Swedish Corporate Governance Code.

In accordance with Swedish corporate law, the Swedish Corporate Governance Code and the company's Articles of Association, responsibility for the governance, management and control of the company is divided among the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer.

INTERNAL GOVERNANCE SYSTEMS

The key internal governance 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 instructions for the Chief Executive Officer. 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 special provisions relating to the appointment or dismissal of Directors.

SHAREHOLDERS

The SENSYS Traffic share has been listed on the Stockholm Stock Exchange since 2001. The share capital of SENSYS Traffic amounts to SEK 24.0 million. The number of outstanding shares of SENSYS Traffic amounts to 479,837,886 and the number of shareholders at the end of the year was 10,709. 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 page 10.

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

ANNUAL GENERAL MEETING

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

ARTICLES OF ASSOCIATION

The Articles of Association of SENSYS Traffic AB state that the company's business is to develop and market traffic 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 2012

The Annual General Meeting of Shareholders in SENSYS Traffic was held on

Thursday 24 April 2012 in Jönköping. Eighteen 15 (18) shareholders or their representatives, were present at the Meeting, representing approximately 9 (10) per cent of the votes. Peter Svensson was elected Chairman of the Meeting. All Board members elected by the AGM were present, with the exception of the newly appointed Board members Torbjörn Sandberg and Gunnar Jardelöw.

The Chief Executive Officer informed the Annual General Meeting of the development and position of the company and commented on the results for 2011 and the first quarter of 2012. During the Annual General Meeting, shareholders were given the opportunity to ask questions, which were answered during the AGM.

RESOLUTIONS

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

- That no dividend be paid for the financial year 2011, in accordance with the proposal of the Board of Directors and CEO (SEK 0.00 per share for financial year 2010).
- That the Board of Directors should consist of 6 Board members (5). Jeanette Jakobsson, Anders Norling, Claes Ödman and Ingemar Skogö were re-elected to the Board. Torbjörn Sandberg and Gunnar Jardelöw were elected as new members of the Board. Ivan Rylander had declined re-election.
- Re-election of Chairman of the Board Peter Svensson.
- The AGM adopted the Annual Report for 2011 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 2013.

NOMINATING COMMITTEE

In accordance with a resolution passed at the 2012 AGM, a nominating committee was elected with the task of presenting proposals concerning the number of Board members and the composition of the Board of Directors. The nominating committee consists of Lars Gunnar Berntson, Jan Johanson (Chairman) and Jan Ahnberg.

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 2012.

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 the financial year 2009, the Board held eleven 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 2012, 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, 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 2013 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.

DISCLOSURE OF INFORMATION

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

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

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 Traffic 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: 4,654,081.

Warrants (TO3): 310,271.

Warrants (TO4): 310,271.



JEANETTE JAKOBSSON

Born 1967. Board member since 2010. COO Budde Schou AB.

Chairman of an unlisted company.

Education: MBA degree and Law degree.

Shareholding: 42,852.

Warrants (TO3): 2,814.

Warrants (TO4): 2,814.



CLAES ÖDMAN

Born 1965. Board member since 2011. Has held various executive positions at Ericsson AB, notably in Singapore and Taiwan.

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

Shareholding: 100,000.

Warrants (TO3): 0.

Warrants (TO4): 0.



ANDERS NORLING

Born 1951. Board member since 2006. Former CEO of Anoto Group AB, SENSYS Traffic AB and Schmidt UK.

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

Education: Master of Engineering, Linköping Institute of Technology.

Shareholding: 6,444,440 with company and 1,839,996 private, total 8,284,436 shares.

Warrants (TO3): 552,295.

Warrants (TO4): 552,295.



TORBJÖRN SANDBERG

Born 1966. Board member since 2012. CEO of Netadmin Systems AB. Former Group CEO of Birdstep Technology ASA (publ).

Education: M.Sc. in Engineering. Shareholding: 0.

Warrants (TO3): 0.

Warrants (TO4): 0.



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: 66,664.

Warrants (TO3): 4,444.

Warrants (TO4): 4,444.



GUNNAR JARDELÖW

Born 1947. Board member since 2012. Several directorships in large Swedish corporate groups.

Other directorships: Shareholder of SSS AB. Chairman of Seamless Distribution AB.

Education: M.Sc. in Economics and Business.

Shareholding: 2,050,000.

Warrants (TO3): 200,000.

Warrants (TO4): 200,000.



ATTENDANCE

	ATTENDANCE	BORN	BOARD MEMBER SINCE	NATIONALITY	FUNCTION	INDEPENDENT*
Peter Svensson	11/11	1952	1998	Swedish	Chairman of the Board	Independent
Jeanette Jakobsson	10/11	1967	2010	Swedish	Board member	Independent
Gunnar Jardelöw	4/5	1947	2012	Swedish	Board member	Independent
Anders Norling	8/11	1951	2002	Swedish	Board member	Independent
Torbjörn Sandberg	4/5	1966	2012	Swedish	Board member	Independent
Ingemar Skogö	9/11	1949	2011	Swedish	Board member	Independent
Ivan Rylander	6/6	1948	2002	Swedish	Board member	Independent
Claes Ödman	9/11	1965	2011	Swedish	Board member	Independent

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

» Income statement

SEK	Note	2012	2011
Net sales	2	40 999 664	43 370 729
Cost of goods sold		-25 270 366	-17 930 182
Adjustment of value of inventories	7	-4 557 600	-28 800 000
Gross profit/loss		11 171 698	-3 359 453
Sales costs	4, 5, 6	-31 906 513	-23 670 449
Administration costs	4, 5, 6	-5 359 560	-5 878 437
Development costs	4, 5, 6	-15 398 026	-19 021 143
Operating profit/loss	1, 3, 6, 12,19	-41 492 401	-51 929 482
<i>Profit/loss from financial investments</i>	11		
Interest income/foreign exchange gains		761 596	484 619
Interest expense/foreign exchange loss		-640 313	-375 396
Profit/loss after financial items		-41 371 118	-51 820 259
Income tax	13	-1 776 307	13 532 423
Income tax for the year		-1 776 307	13 532 423
PROFIT OR LOSS FOR THE YEAR/TOTAL PROFIT OR LOSS FOR THE YEAR		-43 147 425	-38 287 836
Earnings per share before dilution		-0,09	-0,13
Earnings per share after dilution		-0,08	-0,13
Proposed dividend per share		0,0	0,0
Average number of outstanding shares before dilution, thousand		400 435	287 903
Average number of outstanding shares after dilution, thousand		400 435	287 903
Number of outstanding shares, thousand		479 838	287 903

» Balance sheets

SEK	Note	2012-12-31	2011-12-31
ASSETS			
<i>Non-current assets</i>			
Intangible assets			
Brand	5	184 798	277 190
		184 798	277 190
Property, plant and equipment			
Machines and other technical plant	6	34 500	57 500
Equipment		46 819	99 436
		81 319	156 936
Financial assets			
Deferred tax recoverable	13	39 077 898	40 854 205
Receivable, Telvent	8	0	16 667 823
Shares in group company	9	50 000	50 000
		39 127 898	57 572 028
		39 394 015	58 006 154
<i>Current assets</i>			
Stocks and inventories			
Raw materials and consumables	7	8 920 456	10 276 551
Finished products and goods for resale		20 731 158	34 802 405
		29 651 614	45 078 956
Current receivables			
Trade receivables	10	14 206 852	4 944 189
Other receivables		1 079 204	1 865 729
Prepaid expenses and accrued income	14	12 329 648	1 106 880
		27 615 704	7 916 798
Cash and cash equivalents			
Cash and bank	15	12 455 987	17 846 822
		12 455 987	17 846 822
		69 723 305	70 842 576
TOTAL ASSETS			
		109 117 320	128 848 730

» Balance sheets

SEK	Note	2012-12-31	2011-12-31
EQUITY AND LIABILITIES			
Shareholders' equity	16		
Restricted equity			
Share capital		23 991 894	14 395 137
Statutory reserve		25 214 947	25 214 947
		49 206 841	39 610 084
Non-restricted equity			
Share premium account		64 782 760	47 282 578
Retained earnings		26 609 948	64 897 784
Profit for the year		-43 147 425	-38 287 836
		48 245 283	73 892 526
Total shareholders' equity		97 452 124	113 502 610
Provisions	8		
Long-term provisions		1 007 067	1 294 300
Current provisions		952 266	1 115 000
Provisions		1 959 333	2 409 300
Current liabilities			
Liabilities to customers		966 068	1 913 549
Foreign currency liabilities to credit institutions		0	0
Trade payables		668 015	2 525 482
Other liabilities		548 954	600 551
Accrued expenses and deferred income	17	7 522 826	7 897 238
Total current liabilities		9 705 863	12 936 820
TOTAL EQUITY AND LIABILITIES		109 117 320	128 848 730
PLEGDED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	20	18 500 000	18 900 000
Contingent liabilities		None	None

» Statement of changes in equity

	Share capital	Statutory reserve	Share premium account	Profit/loss brought forward incl. profit/loss for the year	Total equity
Shareholders' equity 1 Jan 2011	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
New share issue	9 596 757		19 193 515		28 790 272
Issue costs			-1 693 333		-1 693 333
Profit/loss for the year/Total profit/loss				-43 147 425	-43 147 425
Shareholders' equity 31 Dec 2012	23 991 894	25 214 947	64 782 760	-16 537 477	97 452 124

» Cash flow

SEK		2012-12-31	2011-12-31
Operating activities			
Operating profit/loss		-41 492 401	-51 929 482
Adjustments for non-cash items			
Adjustment of value of inventories	7	4 557 600	28 800 000
Depreciation and amortisation	5, 6	198 009	392 812
Bad debt Telvent		9 816 823	0
Change in accrued income		-11 218 442	0
		-38 138 411	-22 736 670
Cash flow from operating activities before changes in working capital			
Interest received		273 868	275 709
Interest paid		-4 493	-38 032
Exchange rate effects		-148 092	-128 454
		-38 017 128	-22 627 447
Cash flow from changes in working capital			
Trade receivables		-9 262 662	5 574 875
Stocks and inventories	7	10 869 742	4 166 279
Trade payables		-1 857 467	-2 316 623
Guarantee payment Telvent	8	6 851 000	-16 667 823
Other changes in working capital		-1 041 259	43 828
Cash flow from operating activities		-32 457 774	-31 826 911
Investment activities			
Acquisition of property, plant and equipment		-30 000	0
Cash flow from investment activities		-30 000	0
Financing activities			
New share issue		27 096 939	0
Repayment of loans		0	-3 330 000
Cash flow from financing activities		27 096 939	-3 330 000
Cash flow for the year		-5 390 835	-35 156 911
Cash and cash equivalents at beginning of the year		17 846 822	53 003 733
Cash and cash equivalents at end of the year		12 455 987	17 846 822

Financial trends

» Five-year summary

INCOME STATEMENTS	2012	2011	2010	2009	2008
Sales	41 000	43 371	36 816	72 379	126 904
Operating expenses	-82 492	-95 300	-47 859	-105 323	-99 559
Operating profit/loss	-41 492	-51 929	- 11 043	-32 944	27 345
Financial items	121	109	662	345	3 044
Profit/loss before tax	-41 371	-51 820	-10 381	-32 599	30 389
Income tax	-1 776	13 532	2 609	8 619	-9 588
Profit/loss for the year/Total profit/loss	-43 147	-38 288	-7 772	-23 980	20 801

BALANCE SHEETS	2012	2011	2010	2009	2008
Non-current assets	39 394	58 006	28 198	25 985	17 187
Current assets	69 723	70 843	143 783	112 026	208 879
Total assets	109 117	128 849	171 981	138 011	306 066
Shareholders' equity	97 452	113 503	151 790	111 101	145 878
Long-term liabilities	0	0	0	7 545	0
Current liabilities	11 665	15 346	20 191	19 365	160 188
Total equity and liabilities	109 117	128 849	171 981	138 011	306 066

DATA PER SHARE	2012	2011	2010	2009	2008
Earnings per share 31 Dec, SEK	-0,09	-0,13	-0,03	-0,11	0,09
Equity per share, SEK	0,20	0,39	0,53	0,51	0,67
Dividend per share, SEK	0	0	0	0	0,05
Share price 31 Dec, SEK	0,49	0,45	1,16	2,24	1,62
P/E ratio	Neg	Neg	Neg	Neg	18,00
Number of shares at end of period before full conversion ¹⁾ , thousand	479 837	287 903	287 903	215 927	215 927
Number of shares at end of period after full conversion ¹⁾ , thousand	543 816	287 903	287 903	215 927	215 927
Average number of shares during the period before full conversion ¹⁾ , thousand	400 434	287 903	287 903	215 927	215 927

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

The figures above for 2008-2009 are based on previously applied accounting principles, i.e. the Swedish Financial Accounting Standards Council's recommendations 1-29. The accounts have not been restated for the application of RFR 2. All amounts are expressed in SEK thousands unless otherwise stated.

KEY FIGURES AND RATIOS	2012	2011	2010	2009	2008
Adjusted equity (SEK)	97 452	113 503	151 790	111 101	145 878
Capital employed	97 452	113 503	155 120	111 101	145 878
Interest-bearing liabilities	0	0	3 330	7 545	0
Return on equity, %	Neg	Neg	Neg	Neg	15
Return on capital employed, %	Neg	Neg	Neg	Neg	23
Operating margin, %	Neg	Neg	Neg	Neg	21
Net margin, %	Neg	Neg	Neg	Neg	16
Rate of asset turnover, multiple	0,39	0,32	0,28	0,56	0,93
Equity/assets ratio, %	89	88	88	80	47
Proportion of risk-bearing capital, %	89	88	88	80	47
Cash flow for the year	-5 391	-35 157	35 317	-37 250	-33 542
Investments in property, plant and equipment	30	0	0	135	176
Investments in intangible assets	0	0	0	462	0
Average number of employees	32	36	36	42	38

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.

Other measures

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

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

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

» Accounting and valuation principles

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

SEGMENTS

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

REPORTING OF INCOME

Goods

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

Other operating income

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

Interest income

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

Translation of foreign currency

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

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

INCOME TAXES

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

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

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

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

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 domain name and copyright of in-house-developed software used in the company's radar sensors and systems. Intangible assets are stated at acquisition value 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 acquisition value as per the first-in first-out principle (FIFO) and the net sales value at the balance sheet date. The acquisition value for 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 15.

FINANCIAL INSTRUMENTS

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at acquisition value less any provisions for impairment. A provision for impairment of trade receivables is made when there exists objective evidence that the company will not be able to receive all amounts that are due under the original terms of the receivables. Receivables expressed in foreign currencies are valued at the rate of exchange prevailing on the balance sheet date or, where appropriate, at the rate according to the forward exchange contract entered into. 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 PAYABLES AND OTHER LIABILITIES

Financial liabilities are initially recognised at fair value, net of transaction costs, and subsequently at amortised cost. The category financial liabilities comprise the items borrowing, trade payables and other liabilities. Trade payables with a short anticipated term 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 employees under a detailed formal plan with no possibility of withdrawal or to pay compensation upon termination as a result of an offer to encourage voluntary redundancy.

SIGNIFICANT ESTIMATES

The preparation of financial statements requires the use of certain estimates and assessments for accounting purposes. Management also makes assessments in applying the Sensys' 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 2012 Sensys had total estimated unutilised tax losses of SEK 163,327 thousand (126,339), which require future profits of equivalent value within a reasonable time to fully consume the tax losses.

There is uncertainty about the outcome

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

For more information, see Note 13.

Stocks and inventories

Sensys has an inventory of products produced for a specific customer that have been held in inventory since the project was terminated. The company deems that the inventory is saleable. However, due to continued technical advances, opportunities to sell parts of the inventory are limited in time, and the company has therefore written down the value of the inventory by at most SEK 7.5 million per quarter. In 2012 inventory worth close to SEK 11 million was sold to customers. In the second half of 2012 the company reassessed the value of the remaining inventory, deeming that it is sellable in the market within the foreseeable future, and no further impairment charges have therefore been recognised. At 31 December 2012 the remaining customer-specific inventory had a carrying amount of SEK 12 million.

For more information, see Note 7.

RISKS AND UNCERTAINTIES

Significant risks and uncertainties faced by the company include commercial risks associated with customers and suppliers as well as other external factors. SENSYS Traffic's overall goal is as far as possible to avoid taking financial risks that may arise through changes in foreign currency rates, interest levels and market prices, as well as liquidity, financing and credit risks. A description of material financial and commercial risks faced by the company is given in Note 21.

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 2012 have had any impact on the company.

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

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.

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.

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.

IFRS 13 Fair Value Measurement provides an exact definition and a single

» Notes on the accounts

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

Note 1 Personnel

Average number of employees	2012	2011
Men	30	33
Women	2	3
Total	32	36

Salaries and other remuneration	2012	2011
Board of Directors	450	390
Chief Executive Officer	1 747	1 782
Other senior executives, 6 (5) persons	4 463	4 118
Other employees	12 776	13 239
Total	19 436	19 529

The Board of Directors received remuneration of SEK 450 thousand (390), of which the Chairman received SEK 90 thousand (90). No other remuneration has been paid and other Board members receive equal shares.

Pension costs	2012	2011
Board of Directors	0	0
Chief Executive Officer	437	441
Other senior executives, 6 (5) persons	945	826
Other employees	2 218	1 855
Total	3 600	3 122

Statutory and contractual social-security contributions (excluding Board)	2012	2011
	7 775	7 540

BONUS

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

(i) 5 per cent of net earnings in the current year, subject to a limit of SEK 3 million

(ii) An amount corresponding to 2 months' pay for bonus-entitled staff at the end of the bonus year.

Payment of bonuses is made as a percentage over a period of three years.

The bonus agreement for the CEO and management team applies since 2010. The variable salary is based on the company's order intake and invoicing during the year, and is subject to a limit of SEK 3,184 thousand, of which SEK 874 refers to the CEO.

No provision for bonuses was made in 2011 and 2012.

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

The company shall offer market-oriented total remuneration at prevailing market conditions that enables the recruitment and retention of senior executives. Remuneration of the company's senior executives shall consist of a fixed salary, 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 2012 amounted to SEK 450 thousand (390), 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.

Chief Executive Officer

According to contract, the fixed salary of the CEO amounted to SEK 1,747 thousand in 2012 (1,782).

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 2012 were Göran Löfqvist, Helena Claesson, Magnus Ferlander, Kjell Lundgren, Hans Skalin (Jan – Jun) and Jörgen Andersson.

Other senior executives have been paid a total compensation specified in a resolution from the 2012 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 2012.

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:	2012	2011
Women	14 %	17 %
Men	86 %	83 %

Breakdown between men and women in management	2012	2011
Women	14 %	17 %
Men	86 %	83 %

NOTE 2 TOTAL SALES

Net sales by region	2012	2011
Sweden	SEK 5,392 thousand	SEK 29,377 thousand
Rest of Europe	SEK 655 thousand	SEK 5,648 thousand
USA	SEK 9,638 thousand	SEK 3,637 thousand
Middle East	SEK 22,833 thousand	SEK 4,622 thousand
Rest of the world	SEK 2,481 thousand	SEK 87 thousand
Total	SEK 40,999 thousand	SEK 43,371 thousand

NOTE 3 RELATED-PARTY TRANSACTIONS

Remuneration paid to the Board and CEO is presented in Note 1. In 2012 the company paid SEK 372 thousand in the form of consulting fees and travel allowances to the Board member Anders Norling (AN Holding).

NOTE 4 EXPENSES BY NATURE OF EXPENSE

	2012	2011
Cost of remuneration to employees (Note 1)	31 209	31 004
Advertising and sales costs	13 703	7 884
Depreciation, amortisation and write-downs (Notes 5, 6, 7 and 8)	4 756	29 193
Sundry	32 824	27 216
Total	82 492	95 297

NOTE 5 INTANGIBLE ASSETS

Brand

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

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	Machines and other technical plant		Equipment		Motor vehicles	
	2012	2011	2012	2011	2012	2011
Opening accumulated Acquisition value	2 552	2 552	2 954	2 954	469	469
Acquisitions	0	0	30	0	0	0
Disposals	-206	0	-672	0	-469	0
Closing accumulated acquisition values	2 346	2 552	2 312	2 954	0	469
Opening accumulated depreciation	-1 921	-1 899	-1 584	-1 393	-469	-383
Disposals	206	0	672	0	469	0
Depreciation for the period	-23	-22	-83	-191	0	-86
Closing accumulated depreciation	-1 738	-1 921	-995	-1 584	0	-469
Opening accumulated write-downs	-573	-573	-1 270	-1 270	0	0
Closing accumulated write-downs	-573	-573	-1 270	-1 270	0	0
Carrying amount	35	58	47	100	0	0

Breakdown of scheduled amortisation

	2012	2011
Cost of goods sold	19	89
Sales costs	67	89
Administration costs	10	36
Development costs	102	179
Total scheduled amortisation	198	393

Leasing

The company has entered into the following operating leases:

	Machines, plant and equipment	Premises
Lease payments for the year	367	2 155
Minimum lease payments that fall due within 1 year	310	2 155
Minimum lease payments that fall due within 1 – 5 years	149	1 077
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 7 STOCKS AND INVENTORIES

	2012	2011
Acquisition value	63 009	73 879
Adjustment of value of inventories	-33 358	-28 800
Carrying amount	29 651	45 079

The company has an inventory of products produced for a specific customer that have been held in inventory since the project was terminated. At year-end 2012 this inventory had a value of approximately SEK 57.6 million (63.5). Due to continued technical advances, opportunities to sell some parts of the inventory are limited in time, and a decision was therefore taken in 2011 to write down the value of the inventory by at most SEK 7.5 million per quarter. In 2012 the company wrote down the inventory by a further SEK 4,558 thousand up to 30 June 2012. In the autumn the company made a new forecast for the inventory products, whereby it was determined that the remaining inventory is sellable in a foreseeable future, and no further impairment charges have therefore been recognised.

NOTE 8 RECEIVABLE FROM TELVENT

	2012	2011
Opening receivable, Telvent	16 668	0
Disbursement under bank guarantee	0	16 668
Payment from Telvent under settlement	-6 851	0
Write-off of receivable under settlement	-9 817	0
Carrying amount	0	16 668

In March 2011 Sensys decided to initiate arbitration proceedings against Telvent. Telvent responded by invoking 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.

In March 2012 Sensys and Telvent reached a settlement in the case, under which Sensys received SEK 6.9 million of this receivable. The remaining SEK 9.8 million was recognised as sales costs in 2012. This brings the arbitration process between the companies to an end.

NOTE 9 SHARES IN GROUP COMPANIES

Name	Share of equity	Share of voting power	No. of shares	Carrying amount
SENSYS International AB	100%	100%	500	50 000
Total				50 000

	Corp. reg. no.	Registered office	Shareholders' equity	Result
SENSYS International AB	556811-3376	Jönköping	50 000	0

	2012	2011-12-31
Opening acquisition value	50 000	50 000
Acquisitions for the year	0	0
Closing accumulated acquisition value	50 000	50 000
Carrying amount	50 000	50 000

NOTE 10 TRADE RECEIVABLES

	2012	2011
Age structure of outstanding trade receivables		
Trade receivables not yet due	9 245	4 803
Trade receivables past due but not impaired:		
< 3 months	4 891	97
3 – 12 months	72	44
>12 months	0	0
	14 208	4 944

Trade receivables past due and impaired

	2012	2011
< 3 months	0	0
3 – 12 months	1	0
>12 months	0	0
Provision for doubtful trade receivables	0	0
Carrying amount	14 207	4 944

Change in provision for doubtful trade receivables

	2012	2011
Opening provision	0	-66
Acquisitions (-) / Sales (+)		
Confirmed losses		66
Reversal of unused provisions	0	0
Provision for the year	1	0
Closing provision	1	0

NOTE 11 PROFIT/LOSS FROM FINANCIAL INVESTMENTS

Interest and similar items	2012	2011
Interest income on bank deposits	261	276
Exchange rate effects	488	209
Other financial income	13	0
Total financial income	762	485

Interest expense on financial liabilities	2012	2011
Interest expense	-4	-38
Exchange rate effects	-636	-337
Total financial costs	-640	-375

NOTE 12 EMPLOYEE SEVERANCE COSTS

	2012	2011
Cost for dismissal of staff	0	221
Total	0	221

NOTE 13 TAXES

	2012	2011
Current tax	0	0
Deferred tax	-1 776	13 532
Total	-1 776	13 532
Difference between tax expense and tax expense based on applicable tax rate		
Profit/loss before tax	-41 371	-51 820
Tax at applicable tax rate of 22% (26.3)	9 102	13 629
Tax effect of non-deductible expenses	-41	-58
Tax effect of non-deductible income	-3	0
Tax attributable to previous tax assessments	-77	-39
Effect of unrecognised tax asset relating to tax losses	-4 111	0
Restatement of tax asset based on new tax rate	-6 646	0
Tax on profit/loss for the year in accordance with income statement	-1 776	13 532

The company's total estimated unused tax losses at 31 Dec 2012 were SEK 163,327 thousand (126,339). The decision of the Swedish Parliament of 1 January 2013 to lower the corporation tax rate to 22 per cent has resulted in the restatement of a tax asset of the company. The resulting difference, SEK 6.6 million, has been recognised as a tax expense in the company. Based on the 2013 tax rate (22%), the deferred tax asset is SEK 39,078 thousand (40,854). In the annual accounts the full value of all tax losses incurred since 2005 up to the first quarter of 2012 have been recognised as assets. This is based on the previous assessment made by management and the Board of Directors of the company's potential to utilise these tax losses in the future through profitable sales of the company's products.

As of the second quarter of 2012 the Board of Directors has chosen not to recognise any further tax losses (for 2012, SEK 14.5 million). There is uncertainty about the outcome of procurement processes in the traffic safety industry, largely due to political sensitivities in individual projects. The adopted forecast is therefore based on several estimates and assessments. However, management expects that demand for traffic 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.

Temporary tax differences

Deferred tax recoverable	2012	2011
Accumulated tax losses	32 742	33 188
Temporary differences relating to inventories	6 336	7 574
Other temporary differences	0	92
	39 078	40 854

At year-end 2012 the company had a temporary tax difference of SEK 7,339 thousand, which refers entirely to inventory obsolescence for a project-specific inventory.

NOTE 14 PREPAID COSTS AND ACCRUED INCOME

	2012	2011
Prepaid lease payments	39	34
Prepaid rent	493	479
Other items	580	594
Accrued income	11 218	0
Total	12 330	1 107

NOTE 15 CASH AND BANK

In 2011 the company deposited SEK 400 thousand as security in a bid guarantee for a procurement process in Algeria. When the guarantee expired on 31 March 2012, the amount was repaid in full.

NOTE 16 SHAREHOLDERS' EQUITY

Share capital

The share capital of SENSYS Traffic AB amounts to SEK 23,991,894 (14,395,137) divided into 479,837,886 (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
2012	New share issue	191 935 152	9 596 757	23 991 894	479 837 886	0,05

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

The subscription period for each warrant is predefined. TO3 warrants may be exercised to subscribe for new shares during the period 1–31 March 2013 and TO4 warrants may be exercised during the period 1–31 October 2013.

NOTE 17 ACCRUED EXPENSES AND DEFERRED INCOME

	2012	2011
Holiday pay liability	3 282	3 329
Social-security contributions	2 383	1 604
Provision for invoices not received	963	560
Other liabilities	894	2 404
Total	7 522	7 897

NOTE 18 PROVISION FOR GUARANTEE EXPENSES

	2012	2011
Guarantee provision 0-360 days	1 007	1 294
Guarantee provision > 360 days	952	1 115
Total	1 959	2 409

NOTE 19 AUDIT FEES AND REIMBURSEMENT OF RELATED COSTS

	2012	2011
Ernst & Young AB (January - April)		
Audit assignment	0	194
Auditing work over and above the audit assignment	0	106
PwC (May - December)		
Audit assignment	200	200
Auditing work over and above the audit assignment	14	0
Tax consultancy	142	187
Other assignments	138	7
Total	494	692

NOTE 20 PLEDGED ASSETS

	2012	2011
Floating charges	18 500	18 500
Frozen assets	0	400
Total	18 500	18 900

NOTE 21 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 and 2012, SENSYS Traffic had no forward exchange contracts.

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

Interest risks

SENSYS Traffic manages interest risk arising from interest-bearing assets by investing liquid assets in a non-speculative manner in instruments with maturities that match SENSYS Traffic's known outflows and/or payments on debts. The aim is to limit the interest risk in SENSYS Traffic's interest-bearing liabilities. At the end of 2011 and 2012, SENSYS Traffic had no interest-bearing liabilities.

SENSYS Traffic holds no listed financial instruments.

Credit risks

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

OPERATIONAL RISKS

Operational 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. Further write-downs of SEK 4,558 thousand were made in 2012. 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. For this reason, the company ceased to write down the value of the products in the third quarter of 2012.

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)

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

Risk in an individual customer project (Oman)

In the fourth quarter of 2012 the company delivered all systems that were due for delivery in this project. The company deems that the risk in the project has essentially been transferred to the customer, and income has therefore been recognised.

Insurance

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

Events after the balance sheet date

The Board of Directors proposes that no dividend be paid for 2012.

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



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

The Annual Report was approved for publication by the Board of Directors on 25 March 2013.

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders on 16 April 2013.

Jönköping, 25 March 2013

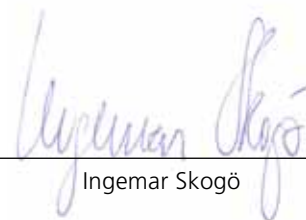


Peter Svensson

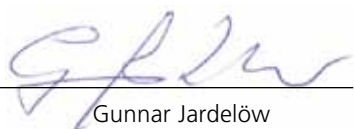
Chairman of the Board



Jeanette Jakobsson



Ingemar Skogö



Gunnar Jardelöw



Anders Norling



Claes Ödman



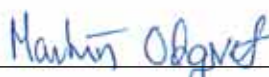
Torbjörn Sandberg



Johan Frilund

Chief Executive Officer

Our audit report was submitted on 25 March 2013



Martin Odqvist (Chief Auditor)
Authorised Public Accountant



Magnus Brändström
Authorised Public Accountant

» Auditor's report

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

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of Sensys Traffic AB for the year 2012 except for the corporate governance statement on pages 14-16. The annual accounts of the company are included in the printed version of this document on pages 11-35.

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

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

AUDITOR'S RESPONSIBILITY

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

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

as well as evaluating the overall presentation of the annual accounts.

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

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Sensys Traffic AB as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. Our opinion do not cover the corporate governance statement on pages 14-16. The statutory administration report is consistent with the other parts of the annual accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 14-16 has been prepared in accordance with the Annual Accounts Act

AUDITOR'S RESPONSIBILITY

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

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

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

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

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

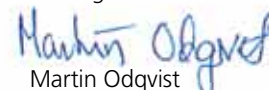
OPINIONS

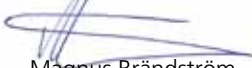
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

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

Jönköping 25 March 2013

Öhrlings PricewaterhouseCoopers AB


Martin Odqvist
Authorized Public Accountant
Auditor-in-Charge


Magnus Brändström
Authorized Public Accountant

CHIEF EXECUTIVE OFFICER



JOHAN FRILUND

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.
 Warrants (TO3): 12,410.
 Warrants (TO4): 12,410.

CHIEF FINANCIAL OFFICER



HELENA CLAESSION

Born 1969.
 Appointed 2004.
 External commissions: None.
 Shareholding: 0.
 Warrants (TO3): 0.
 Warrants (TO4): 0.

R&D DIRECTOR



GÖRAN LÖFQVIST

Born 1967.
 Appointed 2000.
 External commissions: None.
 Shareholding: 91,111.
 Warrants (TO3): 6,074.
 Warrants (TO4): 6,074.

AFTER SALES DIRECTOR



KJELL LUNDGREN

Born 1967.
 Appointed 2011.
 External commissions: None.
 Shareholding: 156,662.
 Warrants (TO3): 7,777.
 Warrants (TO4): 7,777.

VP MARKETING & SALES



MAGNUS FERLANDER

Born 1968.
 Appointed 2011.
 External commissions: None.
 Shareholding: 100,153.
 Warrants (TO3): 10.
 Warrants (TO4): 10.

SOURCING & SUPPLY DIRECTOR



JÖRGEN ANDERSSON

Born 1970.
 Appointed 2009.
 External commissions: None.
 Shareholding: 38,666.
 Warrants (TO3): 4,296.
 Warrants (TO4): 4,296.

DIRECTOR OF QUALITY AND REGULATORY AFFAIRS

-until June 12.



HANS SKALIN

Born 1953.
 Appointed 2011.
 External commissions: None.
 Shareholding: 0.
 Warrants (TO3): 0.
 Warrants (TO4): 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

» Information to shareholders

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

- Q1 2013, 16 April
- Q2 2013, 22 Aug
- Q3 2013, 24 Oct
- Year-end report 2013, Jan 2014

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

ANNUAL GENERAL MEETING OF SHAREHOLDERS

SENSYS Traffic will hold its Annual General Meeting of Shareholders at 3 pm on 16 April 2013 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 10 April 2013, and to have given notice of their intention to attend the Meeting by 10 April 2013.

In order to be entitled to attend the Annual General Meeting and exercise their right to vote, shareholders whose shares are registered under a nominee name must temporarily register the shares in their own name. Such re-registration must be handled by the trustee/bank and shall be completed with Euroclear Sweden AB by Wednesday 10 April 2013.

NOTIFICATION OF INTENTION TO ATTEND

Notice of intention to attend the Annual General Meeting must be made to SENSYS Traffic by 12 noon on 10 April, by mail:

SENSYS Traffic AB

PO Box 2174

SE-550 02 Jönköping

by telephone: 036-34 29 98

by fax: 036-12 56 99

or by e-mail: info@sensys.se

NOMINATING COMMITTEES AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

No separate remuneration committee has been appointed in the company. Issues relating to compensation to the CEO are handled by the Chairman in consultation with the other Board 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 24 April 2012 of the following members

Jan Johansson (Chairman)

Jan Johanssons Förvaltnings AB

Kungsgatan 33

SE-111 56 Stockholm

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

www.sensys.se

» Addresses

SENSYS TRAFFIC AB (PUBL.)

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

Visitor address: Slottsgatan 14
SE-553 22 Jönköping

Telephone: 036-34 29 80

Telefax: 036-12 56 99

www.sensys.se

DEVELOPMENT OFFICE

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

Telephone: 018-18 66 67



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