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TagMaster develops and delivers data solutions for Smart Cities based on advanced sensor technology. These solutions aim to improve and streamline transport and traffic flows, on both road and rail.



# TagMaster in brief

**TagMaster is a international player in innovative intelligent transport system (ITS). It has a presence in the most important markets worldwide, with an emphasis on Europe and the USA. The Company develops and sells data solutions aimed at improving, streamlining and increasing safety in transport and traffic flows, on both road and rail. The solutions are based on world-leading expertise in pertinent sensor technologies and are helping to bring about the necessary transformation of the world's transport systems.**

TagMaster's data solutions and sensor products are developed with the aim of preventing congestion in traffic, reducing pollution from transport and improving safety by making existing traffic flows more efficient, facilitating the development of climate-smart traffic flows and detecting traffic incidents.

Cities and densely populated areas worldwide are facing major challenges. These include rapid growth, a rising population, urban development pressure, and consequently new transport needs and growing environmental problems. At the same time, the menacing global warming situation requires adjustments to be made in the transport systems of today.

These megatrends, together with increased public investment in a green direction and combined with rapid digitalisation, are increasingly bringing the focus to smart solutions that use technology to make traffic flows simpler, safer and more efficient and to minimise their climate impact.

TagMaster's solutions are based on advanced home-grown sensor technologies such as RFID, Radar, ANPR,

Video detection and Wireless magnetometers. By combining these sensor technologies, TagMaster offers solutions that play an important role in not only optimising transportation and their availability, but also optimising the use of existing, and the development of new, infrastructure.

Sensor technologies are offered together with advanced software as a platform for creating smarter traffic solutions.

TagMaster is one of the world's leading suppliers of advanced solutions in the two areas Traffic Solutions and Rail Solutions. Via a total of seven acquisitions since 2015 and organic growth, TagMaster has developed into a leading international player with operations and customer relationships all over the world.

The Group is headquartered in Kista, Stockholm, and has a presence via subsidiaries in the UK, France and the USA, in Berkeley, California. The business in Europe is conducted under the names of TagMaster and Citilog and in the USA under the Sensys Networks brand. At the end of 2022, the TagMaster Group had a total of 120 employees and more than 850 partners in over 45 countries.

## TAGMASTER CAN MAKE A MAJOR ENVIRONMENTAL CONTRIBUTION

# +20 per cent

of all carbon dioxide emissions are produced by traffic.

# 500,000 tonnes

TagMaster's technology can reduce these emissions by 500,000 tonnes of carbon dioxide annually in the USA.

A study conducted by Siemens in Seattle, Washington State, USA, demonstrated that by using Sensys Networks FlexMag sensors in adaptive traffic control (ATC), it was possible to reduce carbon dioxide emissions by 282 kg per car per year. If similar systems were installed nationally across the USA, emissions would be cut by nearly 500,000 tonnes annually.



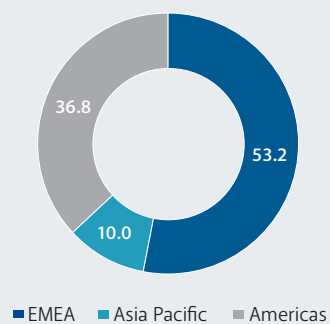
### VISION

We will be the most innovative provider of ITS solutions for Smart Cities.

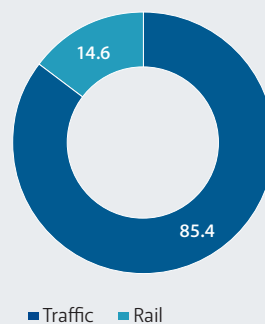
### MISSION

We will provide reliable and easy-to-use detection and identification solutions for demanding environments, with usable and accurate information.

SALES BY GEOGRAPHIC REGION, %



SALES BY CUSTOMER CATEGORY, %



# Strong sales despite major challenges

The year was characterised by stable demand for TagMaster's innovative intelligent transport system (ITS). Sales increased by almost ten per cent and 2022 was a strong year despite several challenges in the world around us. The Group's latest addition, Citilog, of France, was turned around to profitability in the year's final quarter following a restructuring programme implemented during the year. Higher costs for input goods and components were offset through increased prices to customers, enabling a good gross margin to be maintained. During the year, TagMaster continued its work on developing new innovative mobility solutions for Smart Cities, based on advanced sensor technology, and launched several new solutions.

## New component supply processes

During the years that the Group has been affected by the component shortage, TagMaster has focused on rebuilding its sensor products to adapt them to the prevailing component situation. At the same time, the Company has actively focused on sourcing purchases of components via the spot market and other channels and has implemented new ways of working to deal with the shortages.

These involve internal processes to reactively manage current shortages and to proactively prevent shortage situations from arising. To address these issues on an ongoing basis, the Group has set up specific forums where both short-term risks and long-term solutions are discussed. In 2022, work continued on developing these processes.

OVER THE PAST FIVE YEARS,  
TAGMASTER HAS INCREASED NET  
SALES BY ON AVERAGE

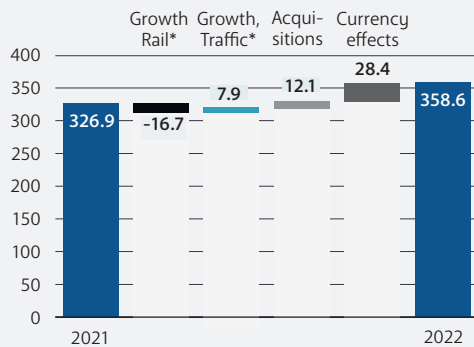
# 12.9%

ADJUSTED EBITDA MARGIN

# 7.5%



## SALES GROWTH



\* Organic

## FINANCIAL KEY PERFORMANCE INDICATORS

	Full year 2022	Full year 2021	Full year 2020
Net sales, SEK th.	358,603	326,886	286,453
Growth in net sales, %	9.7	14.1	8.9
Gross margin, %	68.3	68.4	65.7
Adjusted EBITDA, SEK th.	26,970	33,958	27,329
Adjusted EBITDA margin, %	7.5	10.4	9.5
EBITA, SEK th.	11,655	24,789	-605
EBITA margin, %	3.3	7.6	-0.2
Equity ratio, %	60.9	54.4	55.8
Cash flow from operating activities, SEK m.	-6.7	26.2	27.4
Net debt/adjusted EBITDA, multiple (rolling 12-months)	0.8	0.3	-0.2
Diluted earnings per share, SEK	1.65	0.40	-1.39
Number of employees at end of period	120	137	99

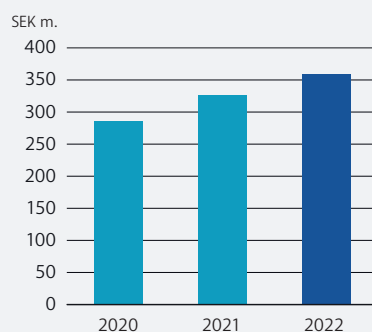


## TagMaster qualified for requirements of Buy America Act

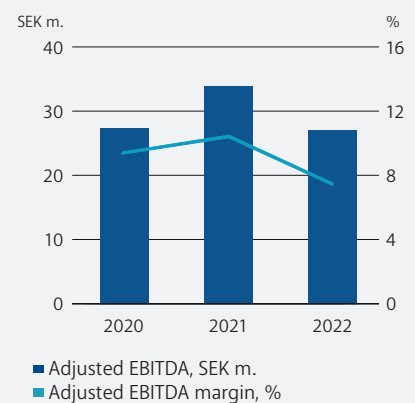
In 2022, TagMaster completed relocation of the production of traffic detection equipment by the Company's US subsidiary Sensys Networks from Mexico to the USA. The fact that all traffic detection equipment is produced locally in the US is significant. This is because as a result Sensys Networks meets the latest Buy America requirements and so qualifies for federal funding through the Federal Highway Administration (FHWA). This puts TagMaster in an attractive position in the US market, given the massive investment programmes that have been launched, with the focus largely on green investments.



## NET SALES



## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN



# High delivery capacity and good margins despite major challenges in the world around us

The past year was a successful one for TagMaster despite a number of challenges in the form of continued component shortages, rising input costs and capacity shortages at our main supplier. Demand for our solutions was stable and sales increased by almost ten per cent. We maintained a high level of delivery capacity to our customers, mainly through focused and successful sourcing. We raised our prices and maintained a good gross margin. Through hard work, we have turned our latest acquisition, Citilog, into profitability. All of this gives me good hope for the future.

In the years of component shortages, we have been compelled to work in a focused way on redesigning our sensor products to adapt them to the prevailing component situation. This has made us less vulnerable, while at the same time we have worked actively on sourcing components via the spot market and other channels.

As a result, we have built up processes that make us more flexible and agile, and even more competitive. The processes will give us a competitive edge even when we emerge from the situation of shortages and rising costs that many technology companies have come up against in recent years, which may give us increased market share.

Throughout 2022, we were affected by cost increases for both electronic components and inputs. Given the challenging situation with purchasing and the lack of capacity in our outsourced production, it is highly satisfying that we are maintaining such a good gross margin. The fact that we have been able to raise our prices proves that our offering can withstand price increases without losing its attractiveness.

## Stable demand and robust gross margin

Over the full year, our gross margin was a healthy 68.3 per cent, the same level as in 2021. Otherwise, 2022 was characterised by stable demand for our solutions. The Group's total sales increased by 9.7 per cent to SEK 358.6 million, compared to 326.9 million in the previous year.

Growth was mainly in Segment USA where sales increased by 8.7 per cent in local currency and by 28.3 per cent in SEK. Supply chain disruptions and slightly lower activity in the UK and France resulted in a 1.6 per cent decrease in sales in Segment Europe.

We were not able to fully compensate for increased costs arising from the component shortage and for the losses over most of the year in Citilog, which, however, showed profitability in the fourth quarter. As a result, income at adjusted EBITDA level totalled SEK 27 million

compared to SEK 34 million in 2021. This represents a profit margin of 7.5 per cent compared to 10.4 per cent in the previous year.

I see some easing in the availability of components, but it is not possible to draw any conclusions from that given the serious geopolitical tensions that characterise our world, so we make no presumptions regarding the immediate future. We are therefore continuing to focus actively on minimising any further impact.

## Qualifying for Buy America

In 2022, we also continued to consolidate production at fewer partners, and all production in Europe now takes place in Sweden, for increased efficiency, higher quality and a reduced carbon footprint. In 2020 and 2021, our production in China was relocated to Sweden. In 2022 TagMaster also completed relocation of the production of traffic detection equipment by our US subsidiary Sensys Networks from Mexico to the USA.

► *Over the past seven years, we have made a total of seven acquisitions and integrated them into the group. Our integration model is working well and Citilog will add organic growth with healthy gross margins in 2023.*

The fact that our US-focused traffic detection equipment is now produced locally is significant. This is because, through this move, Sensys Networks now meets the latest Buy America requirements and so qualifies for federal funding through the Federal Highway Administration (FHWA).

This puts us in an attractive position in the US market, given the massive investment programmes, largely focused on green investments, that have been launched there. These include the major infrastructure package under the Infrastructure Investment and Jobs Act passed

by the US Congress in November 2021 and the giant investment package under the Inflation Reduction Act passed in 2022.

These packages mean that a technological shift in the US transport system is under way, and that's where our solutions come in. To be eligible for these investments, production must take place in the USA.

But investments to transform the transport system are not only taking place in the USA. The EU has launched a plan for a 50-fold increase in the number of electric cars in 10 years under the Fit for 55 climate package. This aims to reduce EU emissions by at least 55 per cent from 1990 levels by 2030. At the same time, initiatives are in progress to increase and facilitate bicycle traffic in big cities. And we are pleased to note that this is positively in TagMaster's favour.

#### **Innovation and commercial focus**

Our vision is to be the most innovative supplier of ITS solutions in Traffic Solutions and Rail Solutions that, in addition to reducing climate impact, aim to improve, streamline and increase safety in transport and traffic flows.

We are implementing a Group-wide initiative, ONE TagMaster, to develop sales performance and digitalise our sales processes. This reshaped sales management system will also give us greater commercial muscle.

The trend is towards increasingly complex solutions and applications, in which edge analysis, AI and deep learning are playing an important role. In these areas, we identify strong drivers for future growth with margins that remain high. Against that background, our strategy is based on actively moving up the value chain and adding further value to the innovative intelligent traffic solutions that we offer.

This, combined with a clear commercial focus and further strategic acquisitions to gain access to complementary and enhancing technologies and expertise, will make us a leaner, bigger and so more powerful player in the market.

#### **Continued strategic acquisitions**

Over the past seven years, we have made a total of seven acquisitions and integrated these companies into the Group. Our integration model is working well and in the fourth quarter our latest acquisition, Citilog, is showing profitability. The company's world-leading technology will add organic growth with healthy gross margins in 2023.



No new acquisitions were made in 2022, but our strategic acquisition journey is not over.

In order to move up the value chain, we are actively seeking prospective candidates in the markets where we operate. This will also create the potential for us to achieve a deeper presence in a fragmented market. Our main focus is on complementary acquisitions in the US market, which is predicted to have a very interesting future.

Viewed against the above background, our future prospects are good. Our market shares are small in a fragmented and growing market with major investments over the years ahead. This means that our potential is great and that future growth will above all be determined by our own capacity.

I would like to conclude these words by expressing my sincere thanks to all our staff and partners, who are the reason why we have been able to impressively deal with the challenges posed by a turbulent environment during the year.

**Jonas Svensson, CEO**

# Stronger demand for sustainable solutions driving the Intelligent Transport Systems market



**Demand for intelligent transport systems (ITS) is growing steadily year by year, in pace with investments worldwide in order to achieve the necessary transition to a more sustainable, more efficient and safer transport system. This includes higher volumes of data collection on traffic flows to optimise the use of existing and plan for new infrastructure, as well as to improve safety. TagMaster's solutions for streamlining and monitoring traffic, transport, parking, public transport and traffic incident detection are a natural part of this market.**

According to a 2021 report by Marketsandmarket, the global ITS market was estimated at around USD 10 billion in 2020 and is expected to grow to around USD 37 billion in 2025, representing an annual growth rate of 15 per cent. TagMaster addresses a part of this rapidly growing market that is fragmented with many small geographically dispersed players.

One of the main factors driving the growth in ITS is urbanisation and rising populations in cities. This is fueling demand for more efficient transport system to handle the higher volumes of traffic. In addition, technological developments in areas such as sensor technology, communication technology and automation have helped to make ITS more accessible and affordable. Geographically, the markets in North America and the EU,

where TagMaster's operations are focused, are the most dominant with a combined share of between 70-75 per cent and a growth rate of 10 per cent, according to Marketsandmarkets. However, some Asian markets with large populations and rapid urbanisation are growing faster.

A multitude of players are active in the ITS market, including technology companies, transport service providers, infrastructure companies and governments. The main trends in the market right now include the deployment of mobility services and increased use of big data analytics to improve transport systems.

The rationale for efforts to transform and improve the efficiency of transport systems is that road transport accounts for more than 20 per cent of the world's carbon dioxide emissions, that road congestion costs huge

## RELEVANT MEGATRENDS AND DRIVERS FOR INTELLIGENT TRAFFIC SYSTEMS (ITS)

**Public infrastructure financing**

According to the McKinsey Global Institute, annual investments in infrastructure totalling around USD 900 billion will be needed to keep pace with expected global economic development. In the USA, USD 1.2 trillion is to be invested in infrastructure development over the next five years.

**Urbanisation**

According to the UN's World Urbanization Prospects, it is estimated that 70 per cent of the world's population will be living in cities by 2050, compared to 55 per cent today. Cities already account for 80 per cent of the world's carbon dioxide emissions.

**Climate, air and sustainability**

Globally, road transport accounts for nearly 20 per cent of carbon dioxide emissions, and by 2025 it is estimated that transport-related emissions will be 30 per cent higher than they were in 2005. The total number of vehicles will double from the 1 billion today to just under 2 billion by 2040.

**Digitalisation and technology development**

The transport industry is amidst a technology shift towards electric power, mobility as a service (MaaS), connected vehicles and applications based on 5G networks. Artificial intelligence and machine learning are creating opportunities for simulation and analysis of traffic flows.

**Changes in the ITS industry**

Coordination and combination of different segments of the Intelligent Transport Systems (ITS) market require intelligent, broadly-based and end-to-end mobility solutions. The trend is towards complex solutions and applications, with edge analysis, AI and deep learning playing an increasingly important role.

**Mobility**

Mobility is a human need and a prerequisite for a functioning market economy. As prosperity increases, so too does the need for mobility and consequently the volume of traffic. This, in turn, increases the demands placed on transport systems.

amounts and that both roads and railways are ageing and inadequate in many parts of the world. In addition, road accidents result in 18.2 deaths per 100,000 people each year and cost an average of three per cent of national GDPs.

Traffic also has a negative impact on air quality. According to the World Resources Institute, around 80 percent of the world's population now lives in cities where air quality is below WHO safety standards. Traffic also has negative effects on our climate.

The most outstanding example of the initiatives put in place are the massive investment programmes launched in Europe and the USA, which are largely focused on green investments that often centre on sustainable infrastructure. In the USA, these include the major infrastructure package under the Infrastructure Investment and Jobs

Act passed by the US Congress in November 2021 and the giant investment package under the Inflation Reduction Act passed in 2022. As a result, a technological shift in the USA's transport system is under way.

To TagMaster, this is of particular interest, given that the Group's US subsidiary Sensys Networks meets the latest Buy America requirements and so qualifies for federal funding through the Federal Highway Administration (FHWA). This is because all Sensys Networks traffic detection equipment is now produced locally in the USA.

The EU has launched a plan for a 50-fold increase in the number of electric cars in 10 years under the Fit for 55 climate package, by no later than 2030. The aim is to help reduce EU emissions by at least 55 per cent from 1990 levels. The way to do this is via the European Green



Deal, which includes massive investments to promote green development on a broader front. In addition, many European cities are introducing initiatives to increase and facilitate cycling.

With the vision of being the most innovative provider of ITS solutions for Smart Cities, it is in the above world that TagMaster operates with its solutions in the areas of Traffic Solutions and Rail Solutions. Smart Cities involve managing strong growth in metropolitan regions, a rising population and urban development pressure.

TagMaster's solutions are playing an important role in the vital digitalisation and transition that are taking place in the transport systems of the world. This involves streamlining traffic flows and facilitating the monitoring of traffic, transport, parking and public transport, thereby contributing to sustainable development in densely populated areas.

### Megatrends

Smart Cities are viewed as an important solution to the challenges facing the world's densely populated areas. With sensors and detectors, the smart city can be provided with digital information on a large scale that can help create a more efficient and more sustainable society.

The trend towards Smart Cities is moving fast, and the main drivers are the global megatrends described below:

**Climate, air and sustainability:** Many big cities are suffering major environmental problems and in extreme cases are having to shut down parts of their traffic system. According to the World Health Organization (WHO), in air pollution is classified as the single largest health hazard in the world. Globally, road transport accounts for nearly 20 per cent of carbon dioxide emissions, and by 2025 it is estimated that transport-related emissions will be 30 per cent higher than in 2005. The total number of vehicles will

double from the 1 billion today to just under 2 billion by 2040. At the same time, the countries of the world have committed to work towards the climate targets set in Paris in 2015, by halving greenhouse gas emissions by 2050. The commitment was ratified at the UN Climate Summit COP 27 in Sharm-el-Sheik, Egypt, in November 2022.

**Urbanisation and rising populations:** Migration to major cities around the world is increasing. In developing countries, development is being spurred by the rapid population growth, with the fastest growth in big city populations taking place in these countries. This growth requires strong expansion in housing, transport, communications and electricity and water supply, as well as in other essential infrastructure and services. According to the UN's World Urbanization Prospects 2018, it is estimated that 70 per cent of the world's population will live in cities by 2050, compared to 55 per cent today. The same source estimates that there will be more than 40 megacities – cities with more than 10 million inhabitants – in the world in 2030 and more than 100 in 2050, compared to the nearly 30 of today. Cities already account for 80 per cent of the world's carbon dioxide emissions.

**Public funding:** Investment needs regarding new traffic systems and infrastructure, upgrading of existing systems and efficiency improvements via smart technical solutions are high on the priority list of central governments, regions and municipalities worldwide. Increasing car numbers and increasing traffic volumes are putting infrastructure under pressure, while higher penetration of electric cars is leading to lower tax revenues, as society's tax revenues from petrol sales decline. This makes the issue of how public investments are to be funded all the more important. According to a study by the McKinsey Global Institute, investment of around USD 900 billion in

## ITS HELPS TO SOLVE KEY CHALLENGES...

MOBILITY CHALLENGES		ITS OUTCOMES
<b>Road accidents</b>	Road accidents result in 18.2 deaths per 100,000 people each year and cost an average of three per cent of national GDPs	50 per cent of all road deaths occur among vulnerable road users: pedestrians, cyclists and motorcyclists.
<b>CO<sub>2</sub> emissions</b>	Road vehicles produce 2.5 kg of CO <sub>2</sub> per litre and 20% of all emissions*	10–14% lower emissions in the Stockholm congestion programme
<b>Traffic congestion</b>	Traffic congestion costs the EU and US economies more than EUR 100 billion and USD 120 billion per year respectively*	Congestion reduced by 30% and speed increased by 30% in London congestion programme

\* Source: "Intelligent Transportation System Market: Global Forecast to 2025" report. [www.marketsandmarkets.com](http://www.marketsandmarkets.com)

infrastructure will be required annually to keep pace with forecast global economic developments.

**Digitalisation and rapid technology development:** Digitalisation and rapid technology development are affecting all areas of society, and advances are happening in quick time. The transport industry is amidst a technology shift towards electric power, mobility as a service (MaaS), connected vehicles and new applications based on 5G connectivity. The number of connected devices (IoT) and volumes of data storage are growing explosively, and will continue to do so in the future. Artificial intelligence and machine learning are creating opportunities for simulation and increased preventive analysis of traffic flows. They are also delivering valuable information for infrastructure planning. All this is creating new opportunities for managing the effects of both urbanisation and increased traffic volumes, and for the creation of climate-smart solutions.

#### TagMaster's market

An important element of the trend towards Smart Cities lies in Intelligent Transport System (ITS) solutions. TagMaster operates in this field, with its Traffic Solutions and Rail Solutions applications.

The development of intelligent transport systems (ITS) helps passengers and drivers by increasing accessibility, while at the same time providing the means to control and streamline traffic and transport flows. This new technology is also helping to increase traffic safety and reduce environmental impact.

TagMaster is mainly active in the Traffic Management, Parking/Access-Security and Infomobility submarkets, all of which are part of the overall ITS market. In the case of Rail Solutions, TagMaster concentrates on signalling and automated train management systems, mainly for metro and tram services.

All sub-markets are benefiting from the drivers and megatrends described above and are estimated to have an annual growth rate of between five and ten per cent.

#### The competition

Several players operate globally in the ITS market for sensor solutions.

TagMaster is ranked as one of the leading players in the expanding markets for RAIN RFID, RFID products for Parking and Access, and in Road Tolls.

The market for ANPR solutions and ANPR sensors also has many players, with a wide geographical spread. TagMaster is a technology leader in OCR technology, with solutions in part based on AI.

In Wireless magnometers sensor-based solutions, TagMaster is a world leader via its American company Sensys Networks. It has a long history of being the first choice technology option where inductive loop systems are up for replacement. Wireless magnometers sensors provide the best accuracy at the best price.

For a year or two now, following the acquisition of the French company Citilog, TagMaster has also been a world leader in traffic incident detection solutions for tunnels, bridges and motorways.

TagMaster's main competitors in the international market consist partly of small specialised companies and partly of divisions or subsidiaries of major corporate groups. Competitors are active in not only several European countries but also in the USA and Asia.

All in all, TagMaster operates in a fragmented market with both geographically widely-spread and numerous small players. This offers good opportunities for market consolidation through acquisitions.

# Moving up the value chain with the focus on innovation and commercialisation

**TagMaster's strategy aims, via innovation and the development of new applications combining relevant sensor technologies, to move the Group's offering up the value chain in the direction of more analytical solutions. This is harnessed to a strong commercial top-line focus, as well as acquisitions, in order to gain access to complementary and enhancing technologies and expertise.**

TagMaster is a global player in intelligent traffic solutions (ITS), with operations in Sweden, the UK, France and the USA, and with a presence in the most important markets worldwide. The Group has a strong range of products in both Traffic Solutions and Rail Solutions with leading expertise in relevant sensor technologies, such as RFID, ANPR, Radar, Wireless magnetometers and Video detection technology.

The trend is towards increasingly complex solutions and applications, in which edge analysis, AI and deep learning are playing important role. This is where the main future drivers of growth exist, especially in Traffic Solutions, are to be found, with rising margins.

TagMaster is well positioned to actively move up the value chain and add further value to the Company's offering. The roadmap is clear.

## Purpose, vision and mission

The Group's data solutions and sensor products are developed with the aim of reducing and preventing congestion in traffic, relieving the climate impact of traffic by making existing traffic flows more efficient, facilitating the development of climate-smart traffic flows that

increase safety and reduce accidents.

TagMaster's **vision** is to be the most innovative supplier of ITS solutions for Smart Cities.

To have a relevant role in its endeavour, TagMaster's **mission** is based on being dedicated to delivering robust, reliable, easy-to-use detection and identification solutions for demanding environments, with usable and accurate information.

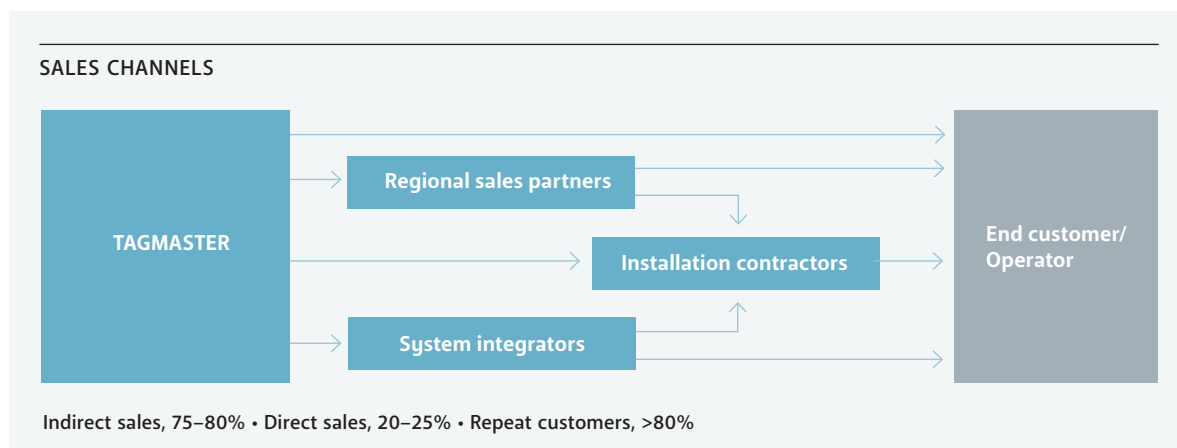
TagMaster is playing an important role in the intelligent traffic solutions of the future.

## Business model and customers

TagMaster creates smarter traffic solutions by offering solution that combine various sensor technologies with advanced software as a full range IoT platform. TagMaster takes long-term responsibility for the products and solutions it delivers, creating value and stability for customers and profitability for TagMaster.

The business is primarily based on a transaction model in which the Company develops, sells and delivers hardware and software.

TagMaster's customers are primarily integrators who, on behalf of traffic authorities, cities, central governments,





**VALUE CREATION STRATEGY**

VISION	STRATEGIC PRIORITIES	FINANCIAL TARGETS	OUTCOME 2022
We will be the most innovative provider of ITS solutions for Smart Cities.	Commercial strength	Growth >20% total growth (organic and acquired)	10% total growth (organic and acquired)
	Customer-driven innovation	Adjusted EBITDA >12%	Adjusted EBITDA 7.5%
	Expanded product range via acquisition	Cash flow/adjusted EBITDA >90% (over three-year period)	Cash flow/EBITDA >52% (over three-year period)
<b>MISSION</b>	Continuous operational improvements and a focus on UN Goals 3, 8, 9 and 11		
We will provide reliable and easy-to-use detection and identification solutions for demanding environments with usable and accurate information.			

parking facility owners, and road and train operators, provide various kinds of complex traffic and parking solutions. In some segments, TagMaster also works directly with the end customer in its sales processes.

In the case of Rail Solutions, customers consist of a small number of major participants in the rail industry such as Alstom, Hitachi, Stadler and Siemens Mobility. TagMaster's business model on the Rail side comprises development and delivery of products, together with servicing and support.

### Goals

TagMaster aims to achieve annual growth of more than 20 per cent including acquisitions. The EBITDA margin is to be in excess of 12 per cent, and cash flow from operating activities is to average more than 90 per cent of EBITDA. TagMaster is one of many companies contributing to the

UN's 17 Global Goals. The business focuses on the areas where the Company is most able to make an impact; these are covered by Goals 3, 8, 9 and 11.

### Strategy for continued growth

TagMaster's strategy for continued growth is made up of the following elements: increased commercial strength, customer-driven product development, constant operational improvements and an expanded product offering via acquisitions. These four elements prepare the way to enable access to complementary and enhancing technologies and competences, as well as to an expanded market.

TagMaster's commercial strength is developing gradually via a focus within the Group on a shared sales management system, with the focus on developing and improving Group-wide sales processes. The Group has a strong top-line focus, consistently weeds out products

## ACQUISITION CRITERIA

- ▶ Complementary technologies
- ▶ Strong go-to-market capability
- ▶ Value-creating software expertise
- ▶ Future engines for growth
- ▶ Contribution to EBITDA margin within 12–18 months

and solutions that are no longer profitable and invests in new ones. Following a process to slim down the product range and cut costs, the focus is on growing sales organically and on **focusing, simplifying and improving** the Group's offering.

Organic growth is also achieved via increased efforts to move higher up the value chain via product development and innovation, to increase the competitiveness of the Group's products and thereby achieve better margins.

**Clear model for acquisitions**

TagMaster has a clear acquisition strategy and a highly-developed process for identifying and integrating new acquisitions. The Intelligent Transport Systems (ITS) market, in which TagMaster is active, is fragmented and so there are many potential acquisition candidates for consolidating the market or becoming part of a larger ecosystem.

TagMaster is therefore looking at possible candidates to strengthen its range of products and technologies and expand its market presence. A particular focus is placed on identifying prospective acquisitions in technologies that can accelerate the Group's move up the value chain.

For example, TagMaster is looking at complementary acquisitions in the US market, for which a very interesting future is forecast, not least through the impact of the major infrastructure package that the current administration has put through.

Acquired companies are integrated into the Group according to a clearly-defined model. New businesses are rapidly integrated into the Group's ERP, quality assurance and other key Group-wide systems. The companies acquired are initially reviewed with a focus on scaling down costs, screening our unprofitable products and focusing on the parts of the business that are scalable, in order to clear the way to growth.

Work then focuses on increasing sales and developing new joint innovative solutions alongside other companies in the Group, in order to achieve good, long-term organic growth with good profitability.

**Research and development**

Development of new solutions and sensor products is

an important part of TagMaster's business. The Group has a high level of expertise in the technologies RFID, ANPR, Radar, Video detection and Wireless magnometers. New advanced solutions are developed by combining these different technologies and adding more intelligence locally in the sensors, with edge analysis.

TagMaster has a sophisticated innovation process that is integrated throughout the Group. It is based on in-depth knowledge of customer needs, input from the market and insights and experiences about different product characteristics that are combined into new solutions.

Among the Group's 50 development engineers, approximately 75 per cent work on software development. As a result, our products and solutions are becoming more and more digital and practically all sensor products can be connected via cloud solutions.

**Production**

TagMaster's products are made by contract manufacturers in Sweden and the USA. In recent years, production has been consolidated at fewer partners, and all production in Europe now takes place in Sweden, for a reduced carbon footprint, increased efficiency and higher quality.

All traffic detection equipment from the US subsidiary Sensys Networks is now produced locally in the USA. This means that Sensys Networks now meets the latest Buy America requirements and so qualifies for federal funding through the Federal Highway Administration (FHWA).

**International player**

TagMaster has, through a total of seven acquisitions and organic growth, developed into an international player that operates and has established customer relationships worldwide.

The Group is headquartered in Kista, Stockholm, and has a presence via subsidiaries in the UK, France and the USA, in Berkeley, California. Operations in Europe are conducted under the name of TagMaster and in the USA under the name of Sensys Networks.

In total, the Group has approximately 120 employees and more than 850 partners across 45 countries.

## OUR PRODUCTS AND SOLUTIONS

## TRAFFIC SOLUTIONS – ITS (Intelligent Transportation Systems)



## TRAFFIC MANAGEMENT

- Traffic light control
- Adaptive signalling control
- Ramp monitoring
- Smart App – virtual detection
- Incident management (CL)

*Radar, Wireless magnetometers sensors, AI (DL) camera*



## INFOMOBILITY

- Traffic counting – and vehicle classification
- Cyclist and pedestrian detection
- Traffic statistics (CL)
- Short-term parking systems
- Weather detection-sensors

*Radar, loop, Wireless magnetometers sensors, AI (DL) camera*



## PARKING/ACCESS-SECURITY

- Access control for vehicles
- Vehicle identification (security access)
- Electronic road tolling systems, (free-flow, congestion charging)

*RFID scanners, antennae, tags, ANPR camera*

## RAIL SOLUTIONS



## RFID RAIL

- Rolling stock positioning
- Selective door opening/platform doors
- Automatic speed control
- Priority control at level crossings
- Tramway control

*RFID scanners, tags and NRE solutions*

## OUR SUSTAINABILITY GOALS

### A strategy that contributes to the UN's Sustainable Development Goals

Committed employees play a key role at TagMaster, by creating a dynamic corporate culture and driving innovation and results. In a Group consisting of several acquired companies, it is important to maintain strong values in order to pull in the same direction.

TagMaster has a strong and compelling purpose, and provides traffic solutions:

- Congestion • Pollution • Accidents

We actively contribute to these four sustainable development goals, and have in particular placed strategic

importance on meeting Goal 9 (industry, innovation and infrastructure) and Goal 11 (sustainable cities and communities). We believe that it is the combined power of these two goals that helps us differentiate our unique approach from others.

With expertise in intelligent transport systems, we have a strong platform for making decisive progress in realising the sustainable development goals.





## Solutions for reducing the climate impact of road transport

**In the Traffic Solutions area, TagMaster develops and delivers products and solutions that not only reduce climate impact, but also aim to improve, streamline and increase safety in transport and traffic flows. These include systems for detecting and managing traffic incidents, real-time control of traffic lights, smart parking solutions and intelligent transport systems that create optimal conditions for use of the road networks. Other solutions include systems for road tolls, safety and access control.**

All solutions are based on combining different sensor technologies with advanced cloud-based software to deliver smarter traffic solutions.

In Traffic Solutions, TagMaster operates in the following application areas:

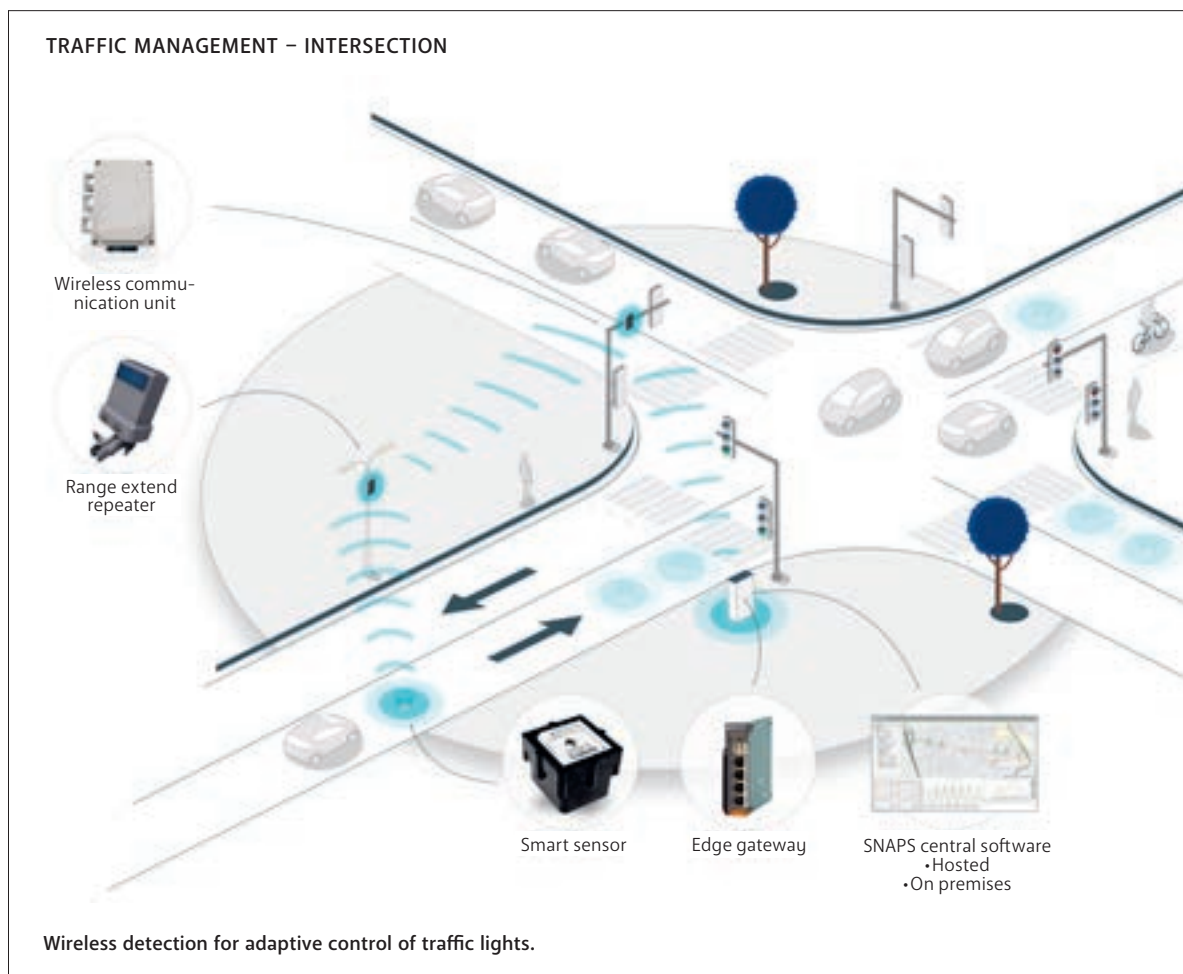
- Traffic Management
- Parking/Access-Security
- Infomobility

Traffic Solutions systems are in demand from actors in road management, transport, traffic, safety, parking, airports, ports and the like. Interest in Traffic Solutions systems is growing, and the trend is towards suppliers that are able to provide several of the sensor technology components that are needed to make intelligent traffic solutions possible.

There is a shift towards increasingly complex solutions and applications, in which edge analysis, AI and deep learning are taking on a more important role. In these end-to-end solutions, all the data collected via sensors of various kinds are analysed to provide a comprehensive basis for decisions, for example, about how traffic flows can be optimised or how infrastructure should be expanded.

### **Solutions for a more sustainable world**

In Traffic Solutions, TagMaster develops its data-based solutions and sensor products with the aim of reducing and preventing congestion in traffic and reducing emissions of pollutants from transport. This is achieved by streamlining existing traffic flows and facilitating the development of climate-smart traffic flows, while increasing safety and reducing accidents.



As a result, systems in Traffic Solutions are contributing to the necessary transition to a more sustainable transport system. This involves the developed world contributing to the transformation of existing infrastructure via brown field solutions, and other parts of the world contributing to a sustainable expansion of infrastructure via green field solutions.

Most of TagMaster's solutions can be powered by solar panels to minimise climate impact, while also delivering increased reliability.

TagMaster's internal operations are conducted in an environmentally sustainable way based on the unit's specific conditions, and comply with applicable environmental laws and regulations. Environmental and sustainability work is based on the UN's Global Sustainable Development Goals.

The Group focuses on developing the expertise and commitment of employees to environmental and sustainability issues, so that every employee performs their work with as little negative impact on health and the environment as possible.

In recent years, production has been consolidated within fewer partners, and all production in Europe now takes place in Sweden, for increased efficiency, higher quality and a reduced carbon footprint. In addition, since 2022, all

traffic detection equipment from the US subsidiary Sensys Networks has been produced locally in the USA.

#### Application area – Traffic Management

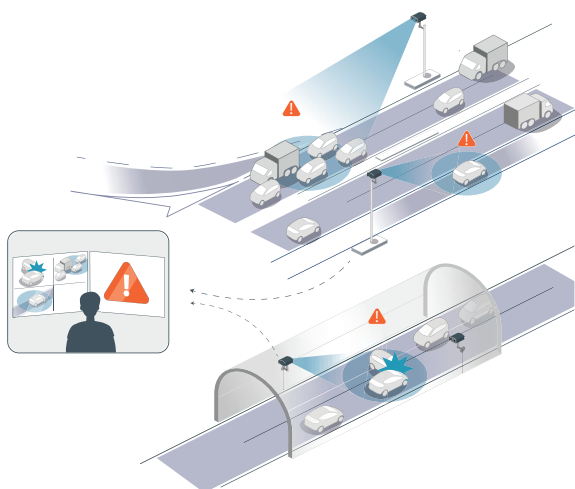
Traffic Management centres on solutions for monitoring and improving efficiency in traffic flows in real time. Examples of applications and solutions include **traffic light control and optimisation, speed monitoring, highway and motorway monitoring** and **incident management**.

TagMaster has a strong offering in the area, with solutions based on AI cameras, Wireless magnetometers and a cloud-based software platform. The offering is an end-to-end solution that is primarily designed for controlling and optimising traffic lights but is also suited to highway and motorway monitoring.

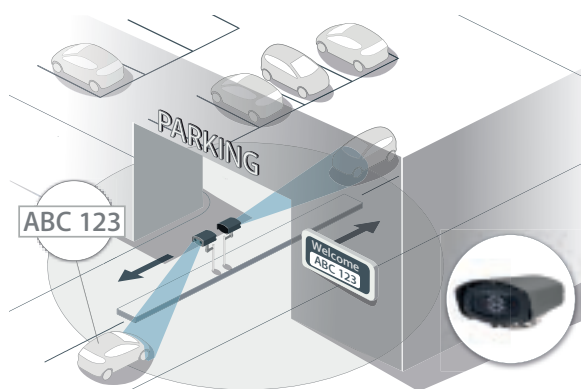
TagMaster also works on applications in the "**infrastructure-to-vehicles**" (I2V) area, where traffic information collected at, for example, road junctions is conveyed in real time to vehicles ranging from heavy goods vehicles to bicycles, to facilitate good traffic flow.

TagMaster also possesses world-leading expertise in **incident monitoring** and incident management, following the acquisition of Citilog in 2021. This video-based technology forms the core of automatic traffic incident detec-

### TRAFFIC MANAGEMENT – INCIDENT DETECTION



### PARKING



tion systems, among others, and an incident management analysis module based on deep learning technology.

In Traffic Management, TagMaster's customers are mainly major partners, integrators and contractors of various kinds working on behalf of road operators. The application area accounts for just over half of TagMaster's total revenue and operates in a market with strong annual growth of around ten per cent.

#### Application area – Parking/Access-Security

Smoothly operating **parking systems** are key to efficient transport systems. The parking market is undergoing a major shift, as new technology, the use of apps and new payment systems have enabled new players to gain market shares.

TagMaster, a technology innovator in the area, offers flexible and cost-effective solutions for clients such as parking facility owners and professional parking facility operators.

The Group's offering includes solutions in which parking barriers and ticket machines are replaced by ANPR cameras or RFID readers that register entry and exit. Motorists simply drive into a parking space and out again at their convenience and then, via an app, are automatically charged for the time spent in the space.

TagMaster also offers magnetic and radar-based wireless sensors that **detect vehicles**. These are also used in truck parking and outdoor parking facilities, and to build systems including electric car **charging posts** that identify real-time availability and communicate this information to the growing electric car fleet.

**Road tolls** have traditionally been used to finance and maintain transport infrastructure, but also to reduce congestion and air pollution. The system of charging a fixed fee when the driver passes a certain point has developed

into the current flexible one where the fee can vary.

TagMaster offers digital identification of vehicles via RFID and ANPR sensor technology used in ETC (electronic tolling collection) systems for maximum flexibility.

TagMaster also provides magnetic-and radar-based wireless sensors that **detect vehicles**, and can be used to direct drivers into **dedicated priority lanes** in response to any build-up of tailbacks at different times of the day.

Another solution is a **security system** that can be used, for example, in areas where access by unauthorised vehicles is a sensitive issue. There is also a need for large-scale monitoring systems for cities or districts where ANPR technology and RFID can be used to identify vehicles and their drivers, if desired.

Sales in the application are mainly indirect to integrators and installers, and account for just over 20 per cent of TagMaster's total revenue in a market with an annual growth rate of around eight per cent.

#### Application area – Infomobility

TagMaster solutions in the Infomobility application area aim to **collect and distribute information** on various traffic situations and traffic levels and to **provide analysis** based on the information collected. The solutions offered include **vehicle classification and counting, travel time information systems, cyclist and pedestrian detection and weather detection systems**. The systems are mostly used for planning for **more efficient traffic flows**.

Solutions are based on wireless radar sensors, wireless magnetic sensors, ANPR cameras, AI cameras and a cloud-based software platform. The sensors collect the necessary data and intelligent software systems analyse the data collected to propose tailored solutions to the operator to make road systems more efficient.

The wireless sensor systems are more cost-efficient to

### Case study – Smart street lighting in Suffolk

## Smart street lighting in Suffolk, England, with sensor solution from TagMaster

Using TagMaster's 100+ sensor solution, highways operator Suffolk County Council in England has created a smart street lighting infrastructure that reduces costs, increases efficiency, lowers carbon emissions and improves quality of life for citizens.



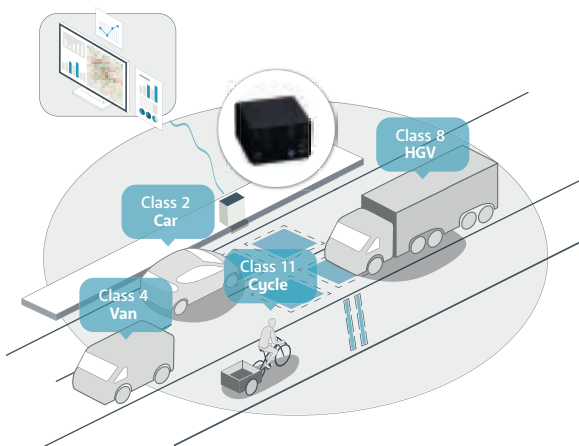
Smart street lighting is public street lighting that incorporates technologies such as cameras and other sensors offering real-time monitoring functions. Also known as adaptive lighting or intelligent street lighting, it adapts movements of pedestrians, cyclists and cars, increasing brightness when it senses activity and dimming when it does not.

Suffolk County Council has long experience of using smart technologies. For example, all of its 65,000 street lights are wirelessly operated. The project with TagMaster aims to create traffic-adaptive lighting to further reduce energy costs and CO<sub>2</sub> emissions caused by motorway lighting.

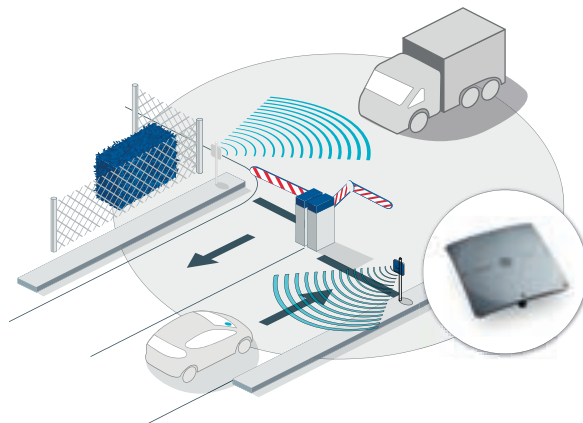
TagMaster was selected to supply traffic sensors, Traffic-Radar and Compact, for highways and motorways in Suffolk. In addition to controlling lighting, the sensors can also provide information on traffic density, road conditions and air quality. This will enable Suffolk County Council to expand its range of applications using TagMaster's sensor solution.

The project has reduced costs, increased efficiency, lowered carbon emissions and improved services to the county's citizens.

## INFOMOBILITY



## ACCESS SECURITY



install than traditional loop-based systems and do not require any maintenance or calibration. Connected to a cloud-based software platform, these systems therefore offer powerful data collection capabilities, as well as analysis and solution options.

TagMaster also offers a family of app-controlled radar-based sensor products with the focus on Active Travel, that is cyclists and pedestrians. Using ANPR technology, journey times can be estimated, and government agencies and other stakeholders can as a result be supplied with valuable information on vehicles, bicycles and pedestrians, and about what is happening on the roads. Information is a vital factor in safety and infrastructure planning, and their funding.

Further examples include a detection system, developed by TagMaster's US subsidiary Sensys Networks, which is used for priority control of traffic light sequences in favour of buses, cyclists and pedestrians. The system is called Give Me Green and is in use in a number of cities in the USA.

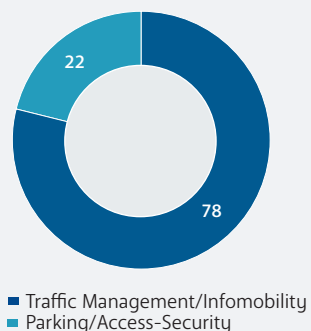
Sales in Infomobility consist above all of those made directly to municipalities and local authorities, and revenues account for just over ten per cent of the Group's total sales. The market for Infomobility solutions is developing strongly and is expected to grow rapidly in line with the ongoing transformation of transport systems and traffic in large cities.

## OUR SUSTAINABILITY GOALS: GOAL 9

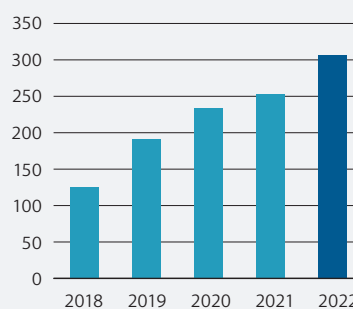


Our focus on lean-energy sensor systems, in which most of our solutions can be powered by solar energy, is helping the transition to more sustainable transport systems.

TRAFFIC SOLUTIONS, APPLICATION AREAS, %



REVENUE, TRAFFIC SOLUTIONS, SEK M.



### Case study – New York bridges

## AI system for successful traffic incident management on New York bridges

Citilog, which was acquired by TagMaster in 2021, launched a new version of its video-based Incident Management solution, CT-IM, in 2020. In 2021, the solution made its breakthrough with multiple projects involving hundreds of cameras. The new version uses a new CT-ADL (Citilog Applied Deep Learning) module combined with deep learning technology to improve the performance of the incident-detection algorithms.



Since 2016, the New York State Bridge Authority (NYSBA) has been using TagMaster's Incident Management system, which is based on AI and deep learning. According to the US Federal Highway Administration, traffic incidents are the single foremost cause of traffic congestion and, along with roadside litter, account for in total 25 per cent of all traffic problems.

TagMaster's incident management solution has helped significantly reduce traffic congestion on and around New York City's bridges. According to NYSBA, this is mainly because accidents and incidents reported on a second-by-second basis via the system, rather than after minutes or even longer, as is the case with other systems or where there is a total lack of any reporting system.

Citilog's Incident Management system automatically detects incidents in traffic, instead of relying on manual monitoring of a large number of video feeds or reports

from drivers to identify incidents. These highly accurate detections enable operators to act quickly, improving response times and reducing traffic problems.

The system automates incident detection in tunnels, on bridges and on motorways, allowing emergency services and vehicles for breakdown recovery and to clean up debris to be dispatched without any manual procedure. Information on the traffic situation is also automatically distributed to drivers via message signs.

Incident Management AI can even save lives. In one incident, a car drove onto an embankment near a bridge early one morning and overturned. There were no other vehicles or people nearby to raise the alarm. However, the system immediately detected the accident and reported it to operators. They were then able to call emergency services to the scene, where the driver was trapped in the vehicle.

### Case study – Lake Lanier Resort

## TagMaster's ANPR cameras streamline traffic flows and increase safety at popular Georgia holiday resort

Using TagMaster's traffic monitoring solution with ANPR cameras, the popular Lake Lanier Resort, just north of the metropolis of Atlanta, Georgia, has gained a new level of control over traffic, while increasing efficiency and safety and reducing environmental impact.



Lake Lanier Resort is an extremely busy place with a large number of road users consisting of residents, employees and visitors travelling in the area on a daily basis. To be able to better manage traffic, Lake Lanier Resort needed a solution that would reliably and accurately read the licence plates of all vehicles. With hundreds of transactions a day, accuracy and performance are critical elements of effective monitoring.

Against that background, TagMaster provided a solution with an OCR library, that is, a database of registration numbers with access to different areas of the holiday resort, combined with a system of ANPR cameras. This optimises traffic flow rates, ensures that only authorised vehicles gain access and collects accurate data.

With a user interface available for any web browser, configuration of the cameras was extremely easy and made installation quick and efficient. This provided the client with low total cost and seamless management of parking for residents, employees and visitors. In addition, carbon dioxide emissions have been greatly reduced, while traffic flow rates and safety have improved.

With the deployment of TagMaster's CT-45 ANPR cameras, a 98 per cent accuracy rate has been achieved for the facility, ensuring that it not only benefits from reliable vehicle identification but can also rely on this data for additional security purposes.

# World-leading mobility solutions for rail transport in the world's major cities

**TagMaster is the world-leading provider of advanced mobility solutions for rail-bound traffic in metropolitan areas. TagMaster's Rail Solutions systems are used in a wide range of applications that aim to improve the efficiency, reliability, safety and punctuality of public mass transit systems, for example, in trams, light rail vehicles and metro systems.**

Every minute, hundreds of thousands of readings are made via TagMaster's RFID sensors in metro systems, tram systems and other rail-bound transport solutions worldwide.

The data collected forms the basis of safe, punctual and sustainable public transport. TagMaster's solutions allow the operator to use its existing track network more efficiently through more frequent services, while minimising the risk of accidents.

Leading providers of railway signalling systems use TagMaster's RFID solutions for large-scale, innovative signalling systems, as well as for installing communications-based train control (CBTC) systems, with an increasing number of driverless trains.

In the Rail Solutions area, TagMaster operates primarily in signalling and automated train management systems, in particular for metros and trams.

## Solutions for sustainable public transport

In the Rail Solutions area, TagMaster's offering aims to make public transport in metropolitan areas more efficient and, by doing so, reduce crowding, increase the attractiveness of public transport and help bring about the necessary transition to more sustainable transport systems.

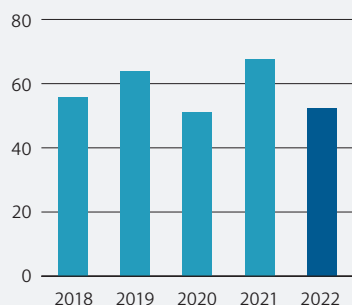
The systems within Rail Solutions, like those within Traffic Solutions, are affected by the increased focus on slowing climate change. In the USA alone, major investments are expected in electrification, charging infrastructure, public transport and new smart technologies that will pave the way for a carbon-neutral USA by 2050. The same signs are also evident in Europe and China.

TagMaster's internal Rail Solutions operations are conducted in an environmentally sustainable manner based on the unit's specific conditions, and comply with applicable environmental laws and regulations. Environmental and sustainability work is based on the UN's Global Sustainable Development Goals.

Production is consolidated at fewer partners, and all production in Europe now takes place in Sweden, for increased efficiency, higher quality, a reduced carbon footprint, and to minimise the risk of disruptions in the supply chain.

TagMaster's train control system is based on the Group's sensor products, with a high degree of built-in functionality and edge analysis. What started life as a project has today become a well-established application area with a strong offering to the market.

REVENUE RAIL SOLUTIONS, SEK M.



## APPLICATIONS

## APPLICATION AREAS

Positioning	Metro trains
Selective door opening/ platform doors	Metro trains, trams, commuter trains
Service priorities	Trams
Automatic speed control	Metro trains, trams
Passenger information	Metro trains, trams
Tramway crossing safety systems	Trams



TagMaster's proprietary algorithms for critical applications such as positioning, axle counting and door opening have created a strong position in signalling systems for metro and tram systems.

With a view to intensifying the innovation and development in Rail Solutions, the Group has a Centre of Excellence in France.

#### Customers and sales

Rail Solutions customers consist mostly of global signalling system manufacturers such as Alstom, Hitachi, Stadler and Siemens Mobility.

The business model for Rail Solutions is based on establishing, via "design-in" solutions, deep relationships with customers and conducting joint development projects for integration into the customer's system solutions.

Sales in Rail Solutions are highly project-bound. Every business transaction is large and complex and requires a considerable level of knowledge sharing between TagMaster and the customer. To fully realise the benefits of the technology, the Company's technicians must be in direct contact with the customer's engineers, and as

a result sales need in certain cases technical adaptation or development. This may involve minor adjustments through to major development work, which in most cases is performed as an engineering project where TagMaster invoices the customer for functions that add value.

The trend is towards many of the Company's customers outsourcing their technology development, as is practice in the car industry. TagMaster's expertise fits well with the demands that will continue to be placed on external system partners in the future.

Rail Solutions' sales account for just under 15 per cent of TagMaster's total revenue in a market with a moderate annual market growth of around three per cent.

#### OUR SUSTAINABILITY GOALS: GOAL 11

Efficient public transport is an important factor in streamlining traffic flows.



# Strong values to build successful international group with commitment

Committed employees play a key role in creating a dynamic corporate culture and driving innovation and results. In a group consisting of several acquired companies, it is important to maintain strong values in order to pull in the same direction.

## CORE VALUES

### RESULT-ORIENTED

We value sustainable results, performance over formality, measurable targets and collaboration to achieve our financial goals.



### COMMITTED

We are passionate about what we do and grow best in what we do when we do a good job. We are leading the way forward without preconceived ideas and with a sense of urgency.



### PROFESSIONAL

We are professionals who recognise the importance of good industry knowledge, leading by example and humility in our approach.



### CUSTOMER-FOCUSED

We know that our own success depends on that of our customers and we are dedicated to driving efficiency, productivity and quality for all our customers.



### INNOVATIVE

We invest heavily in innovation to meet the ever-changing needs of our customers, and focus on creating sustainable solutions.



### ENTREPRENEURIAL

We are confident that we have what it takes to achieve our ambitious vision. We allow ourselves to dream big, try new things and keep pushing forward.



TagMaster's corporate culture is characterised by a strong spirit of innovation and short decision-making processes based on the five core values above. These characterise all our employees, how they work both in-house and externally and the Company's approach to day-to-day operations.

At year-end, the Group had 120 employees.

Our core values form the basis for maintaining and underpinning a healthy corporate culture. It is even more important that these values feed through into everything done in the TagMaster Group, as it is made up of a number of acquired companies in different countries.

## Organisation

TagMaster's organisational structure is based on the various functions in the Group:

• Sales • Development • Operations • Administration

In each country of operations, a local administration function handles tasks requiring country-specific skills.

Such tasks include accounting for taxes and charges, legal financial reporting, and personnel-related matters.

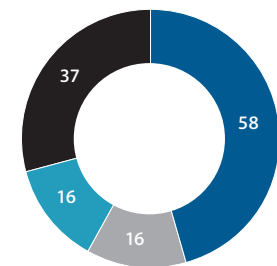
## Strengthened organisation through acquisitions

In order to take advantage of the complementary expertise of the companies acquired, close focus is placed on integration and the implementation of shared processes. In this work, the emphasis is on TagMaster's core values and the importance of shared processes and values in all functions, despite cultural and geographical differences.

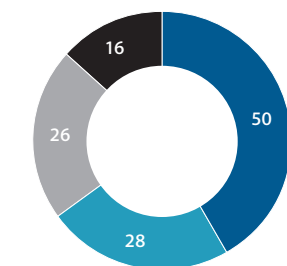
Integration of employees and continued implementation of TagMaster's core values, and thus a strengthened shared corporate culture, remain in focus and are ongoing in all functions and companies that are part of the Group.

## Strong development activities

Development activities in Europe are largely integrated and are overseen by the Group's CTO. Employees engaged in development activities are based in Sweden, the UK and France.

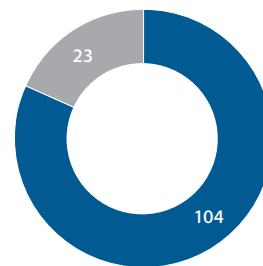
AVERAGE NUMBER OF  
EMPLOYEES BY COUNTRY

■ France ■ UK  
■ Sweden ■ USA

EMPLOYEES BY FUNCTION AT  
YEAR-END

■ Research and Development ■ Operations  
■ Sales/Market ■ Administration

BREAKDOWN, MEN/WOMEN



■ Men ■ Women

Product development is conducted via a product management process that is shared by all companies in the Group. The American part of the business, Sensys Networks, has its own CTO and its development activities are performed in Berkeley (California).

Because development activities and innovation are crucial to the Group's success, a large share of revenue is dedicated to development. In 2022, approximately 22 per cent of total revenue was invested in development. Among the Group's 50 development engineers, approximately 75 per cent work on software development. As a result, our products and solutions are becoming more and more digital and practically all sensor products can be connected via cloud solutions.

Development work involves, for example, combining the various sensor technologies that TagMaster employs, in order to develop superior sensor products and data

solutions that contribute to the necessary transformation of the world's transport system, and at the same time increase efficiency, safety and cost efficiency for customers.

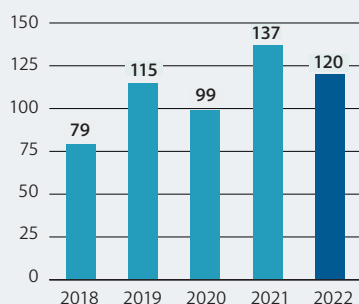
#### Tighter commercial focus for organic growth

TagMaster is tightening its commercial focus throughout the Group and has hired new employees and strengthened its sales organisation in several markets. In addition, the Company has created a joint sales force for parts of its European offering and Sensys Networks in the USA in order to be able to serve the market with a stronger joint offering.

The Company is implementing a Group-wide initiative, ONE TagMaster, to develop its sales performance and digitalise its sales processes. The reshaped sales management system will also give TagMaster greater commercial muscle.

Automated marketing has been integrated across all the Company's units to strengthen and underpin the Company's various value propositions.

NUMBER OF EMPLOYEES AT YEAR-END



#### OUR SUSTAINABILITY GOALS: GOAL 8

Our committed employees play a key role in driving innovation and results.



# Our employees

**Eric Murugneux, VP of Sales for the EMEA, APAC and LATAM regions, based in Dubai.**

**How long have you been at Citilog and what's your background?**

I joined Sensys Networks in the USA in 2011, then moved to France to expand our EU market, and then to Dubai at the end of 2017 to increase our focus on the Middle East and African markets. Educationally, I have a degree in mechanical engineering and then worked for ten years in the automotive industry as a sales director before completing an MBA at HEC Paris with an exchange programme at Berkeley University. Since the middle of last year, I have been responsible for the joint sales of both Sensys Networks and Citilog, France, outside the USA.

**What do you do to promote cross-selling within the Group, particularly in view of the recent acquisition of Citilog's and Sensys Networks' own offering?**

The first initiative was to merge the Sensys and Citilog sales teams to enable the same people to sell both solutions and products in their region. The next job was to train everyone to feel comfortable selling both product lines without prioritising one. We also lay down clear action plans for each region, focusing on territories, applications and customers, so as to be as efficient as possible with limited resources.

**What are the major challenges you face in your work?**

One very positive and exciting challenge is to build a team with all people from different backgrounds, companies, cultures and locations. And to succeed in creating a good atmosphere and energy so that everyone feels comfortable and contributes. Another is how to balance my workload between team management and my day-to-day activities with the regions and countries that I'm responsible for. Deciding on the right amount of internal meetings so that everyone can share information and work collectively without filling our days with video calls is also a challenging task.

**Has your position in the market been strengthened through being part of TagMaster, and then having Citilog added?**

Yes, we've become more strategically placed in our markets, thanks to our extended product range. Being part of a larger group also gives you more credibility with customers.



**Has the integration of Citilog into TagMaster affected your job?**

To me, the effects have only been positive. Not only has it given me new career opportunities, but I've also acquired more friends and colleagues to interact with on a daily basis, which is great when you work remotely. Also, having worked with Sensys network products for ten years, it was refreshing and exciting to learn more about Citilog's world-leading solutions.

**What's the best thing about your job?**

I really like teamwork.

# Our employees

**Marie von Sydow, VP Operations Europe, based in Kista, Greater Stockholm.**



## **How long have you been at TagMaster and what's your background?**

I've been working at TagMaster for a year and a half and I have a Master of Science Engineering degree. I've worked in the manufacturing industry for more than 30 years, in roles ranging from purchasing, industrialisation and production to CEO, with the main focus on operations. The companies I've worked for have chiefly operated in electronics production, with their own manufacturing or outsourced production.

## **What are your main duties at TagMaster?**

I mainly work on optimising manufacturing in Europe, but I'm also responsible for global deliveries. I'm also part of the European management team. A big part of my job is to oversee the collaboration with our production partner in Europe, which is responsible for the manufacturing and inventory management of the majority of our products. When starting up new or modifying existing products, they are our support, with expertise in areas such as industrialisation and testing. The main focus over the past year has been to avoid production stoppages, given the global shortage of materials.

## **How have you dealt with the component shortage and what's been your role in that work?**

The shortage of components has been a serious problem and we've also had shortages of other materials such as plastic and metal. There's a new situation in the world and my role has been to develop effective ways of dealing with the shortage situation. Against that background, we've brought in new working methods that are both reactive, to deal with current shortages, and proactive, to prevent situations of shortages from arising. To address these issues on an ongoing basis, we've set up specific forums where both short-term risks and long-term solutions are discussed.

## **TagMaster has operations consisting of acquired companies in several countries; how does this affect your role as head of operations in Europe?**

That's an interesting question, because combining different ways of working, cultures and languages is always a challenge. We have amazing expertise and resources to draw on in every part. We concentrate together on focusing, simplifying and improving. It's a challenge to pool our expertise and use the best parts. The focus is on optimising our processes, with the aim of jointly creating the most efficient possible flow, from supplier to customer, via production.

## **What are the major challenges you face in your work?**

The biggest challenge in 2022 was undoubtedly the situation of shortages in the market and finding new ways of working to minimise the impact on us. This experience will be a great help in meeting some of the challenges in the years ahead. Against this background, we have a need to further improve our working methods and streamline the processes from supplier to customer.

## **What's the best thing about working at TagMaster?**

It's fun to go to work. My colleagues really know what they're doing. Our products and solutions Traffic Management are in demand today and will remain so in the future. They represent an attractive combination of high quality, technology, safety and positive environmental impact. TagMaster has a high ceiling and streamlined decision-making, which suits me perfectly.

# TagMaster as an investment

TagMaster strives to deliver good and sustainable value growth for the Company's investors, and to make a positive contribution for customers, employees, suppliers and other stakeholders. TagMaster continuously sets challenging goals and evaluates its performance against carefully selected KPIs.

## STRONG GROWTH AND HEALTHY MARGINS

Strong and profitable growth since 2014

Annual sales growth

**+21%**

Gross margin growth

**+14**

Percentage points

## FAST-GROWING MARKET FOR SUSTAINABLE INVESTMENTS

Urbanisation, population growth and the transition to a sustainable transport system are driving the market

Urbanisation

**60%**

will be living in cities in 2030

Costs of traffic jams

**>120**

>USD 120 billion/year in the USA. Major investments over the years ahead

## GOOD OPPORTUNITIES TO GROW BOTH ORGANICALLY AND THROUGH ACQUISITIONS

Investments in growth

Repeat customers

**>80%**

Number of acquisitions since 2015

**7**

## CUTTING-EDGE KNOWLEDGE OF SENSOR TECHNOLOGIES AND SOFTWARE SOLUTIONS

Unique expertise in relevant sensor technologies

R&D, % of revenue

**22%**

Development engineers

**>41%**

of all employees

## FLEXIBLE, EFFICIENT AND CLIMATE-SMART PRODUCTION

All production is outsourced and takes place in Sweden for the European market and in the USA for the US market, in order to minimise risks in both logistics chains and with regard to the carbon footprint.

# Share information and shareholders

TagMaster's class B shares are listed and traded on the Nasdaq First North Premier Growth Market. The share was first listed on 3 July 2000. TagMaster's Certified Adviser is FNCA Sweden. The share price on 30 December 2022 was SEK 10.95, making the market capitalisation of the Company SEK 160,390,000.

## Share capital

On 31 December 2022, the Company's share capital amounted to SEK 18,309,408.55, represented by 14,647,526 shares with a quotient value of SEK 1.25.

According to TagMaster's Articles of Association, the share capital shall be no less than SEK 5,000,000 and no more than SEK 20,000,000, represented by no less than 100,000,000 shares and no more than 400,000,000 shares. Shares may be issued in two classes, class A and class B. Each class A share is entitled to ten (10) votes at the Annual General Meeting and each class B share to one (1) vote. All shares have an equal right to a share of the Company's profit and assets.

## Dividend policy

The size of future dividends will be determined by the Company's future performance, financial position, capital requirements and cash flows. The Board of Directors of TagMaster does not believe that a cash dividend to shareholders will be considered in the near future.

## Shareholders

The total number of shareholders on 31 December 2022 was 2,336, compared to 2,577 in the previous year. The 15 largest shareholders together held 75.0 percent of the share capital and a corresponding share of the votes.

## Company's largest shareholders

Shareholder	No. of class B shares	Capital, %	Votes, %
Ribbskottet AB	2,010,000	13.7	13.7
Gert Sviberg, including company	2,000,000	13.7	13.7
Eiffel Investment Group SAS	1,574,858	10.8	10.8
Tomas Brunberg, including company	1,475,454	10.1	10.1
The Hamilton/Lewenhaupt family, including companies	1,267,082	8.7	8.7
Avanza Pension	714,449	4.9	4.9
Mikael Aronowitsch, including company and foundation	555,468	3.8	3.8
Nordnet Pensionsförsäkring	313,705	2.1	2.1
Per Anders Bendt, via company	300,000	2.0	2.0
Jonas Svensson	220,012	1.5	1.5
Gunvald Berger	186,741	1.3	1.3
Rolf Norberg	104,115	0.7	0.7
Håkan Otto Kjellman	90,389	0.6	0.6
Ulf Carlson	86,452	0.6	0.6
Lars Ebbe Wahlgren	85,070	0.6	0.6
<b>Total, 15 largest shareholders</b>	<b>10,983,795</b>	<b>75.0</b>	<b>75.0</b>
Other	3,663,731	25.0	25.0
<b>Total</b>	<b>14,647,526</b>	<b>100.00</b>	<b>100.00</b>

## SHARE PRICE MOVEMENTS IN 2022



## Changes in share capital

Year	Event	Increase in no. of shares	Changes in share capital (SEK)	Total no. of class A shares	Total no. of class B shares	Total share capital (SEK)
1994	Formation of the Company	5,000,000	–	2,000,000	3,000,000	50,000.00
1994	New share issue	2,000,000	20,000.00	2,000,000	5,000,000	70,000.00
1995	New share issue	10,000,000	100,000.00	2,000,000	15,000,000	170,000.00
1995	Bonus issue and increase in the share's quotient value	–	1,530,000.00	2,000,000	15,000,000	1,700,000.00
1995	Conversion of debt securities with warrants	3,000,000	300,000.00	2,000,000	18,000,000	2,000,000.00
1996	New share issue	6,750,000	675,000.00	2,000,000	24,750,000	2,675,000.00
1997	New share issue as per the 1996 warrant programme	2,250,000	225,000.00	2,000,000	27,000,000	2,900,000.00
1998	New share issue	6,850,000	685,000.00	2,000,000	33,850,000	3,585,000.00
2003	Conversion of class A shares to class B shares	–	–	–	35,850,000	3,585,000.00
2008	New share issue	11,648,491	1,164,849.10	–	47,498,491	4,749,849.10
2008	New share issue	8,000	800.00	–	47,506,491	4,750,649.10
2010	New share issue	11,000,000	1,100,000.00	–	58,506,491	5,850,649.10
2011	New share issue	29,253,245	2,925,324.50	–	87,759,736	8,775,973.60
2011	New share issue	7,600,000	760,000.00	–	95,359,736	9,535,973.60
2012	New share issue	12,371,972	1,237,197.20	–	107,731,708	10,773,170.80
2013	Reduction of share capital	–	-5,386,585.40	–	107,731,708	5,386,585.40
2015	New share issue	43,092,683	2,154,634.15	–	150,824,391	7,541,219.55
2015	Directed new share issue	17,000,000	850,000.00	–	167,824,391	8,391,219.55
2017	New share issue	33,564,878	1,678,243.90	–	201,389,269	10,069,463.45
2019	New share issue as per employee stock option programme 2015/2018	2,483,292	124,164.60	–	203,872,561	10,193,628.05
2019	Directed new share issue	51,625,000	2,581,250.00	–	255,497,561	12,774,878.05
2019	New share issue	110,690,610	5,534,530.50	–	366,188,171	18,309,408.55
2021	Consolidation <sup>1</sup>	–	–	–	14,647,526	18,309,408.55

1) At the Annual General Meeting on 29 April 2021, a resolution was passed on a 1-for-25 consolidation of Class B shares. 6 May was the first day of trading after the consolidation.

# Five-year summary

Income statement, SEK thousands	2022	2021	2020	2019	2018
Net sales	358,603	326,886	286,453	262,955	195,561
Change in inventories during manufacture and finished goods	3,338	832	-912	-2,319	-780
Capitalised work for own account	–	–	3,232	6,518	–
Other operating income	3,532	9,382	4,206	2,216	1,215
Operating expenses	-338,503	-303,142	-265,650	-233,319	-183,265
<b>Adjusted EBITDA</b>	<b>26,970</b>	<b>33,958</b>	<b>27,329</b>	<b>36,051</b>	<b>12,731</b>
Items affecting comparability	-3,806	150	-18,927	-13,619	–
Depreciation, amortisation and impairment	-30,269	-24,538	-23,015	-19,747	-11,957
<b>Operating profit/loss</b>	<b>-7,105</b>	<b>9,570</b>	<b>-14,613</b>	<b>2,685</b>	<b>774</b>
Net financial items	-4,712	-2,823	-3,936	-2,694	-356
<b>Profit/loss before tax</b>	<b>-11,817</b>	<b>6,747</b>	<b>-18,549</b>	<b>-9</b>	<b>418</b>
Tax	35,971	-889	-1,817	-6,790	2,946
<b>Net profit/loss for the year</b>	<b>24,154</b>	<b>5,858</b>	<b>-20,366</b>	<b>-6,799</b>	<b>3,364</b>

Balance sheet, SEK thousands					
Subscribed but not paid-up capital	–	–	–	–	2,806
Intangible non-current assets	174,106	176,178	158,434	191,175	51,400
Property, plant and equipment	3,038	3,031	2,419	3,310	3,008
Right-of-use assets	8,656	11,605	4,659	22,175	–
Financial assets	47,579	6,550	6,856	8,231	7,259
Inventories	50,753	36,570	40,076	53,386	37,037
Current receivables	93,575	79,942	54,924	66,873	45,251
Cash and bank balances	36,223	53,520	51,786	41,293	20,297
<b>Total assets</b>	<b>413,930</b>	<b>367,396</b>	<b>319,154</b>	<b>386,443</b>	<b>167,058</b>
Equity	252,229	199,937	178,194	217,950	105,331
Liabilities to credit institutions	48,282	52,358	38,968	55,962	5,500
Non-current liabilities	20,308	36,718	31,628	41,619	16,232
Current liabilities	93,111	78,383	70,364	70,912	39,995
<b>Total equity and liabilities</b>	<b>413,930</b>	<b>367,396</b>	<b>319,154</b>	<b>386,443</b>	<b>167,058</b>

Cash flow, SEK thousands					
Cash flow before changes in working capital	18,294	33,540	9,457	29,478	14,204
Cash flow from change in working capital	-24,979	-7,295	17,978	-25,624	-1,201
<b>Cash flow from operating activities</b>	<b>-6,685</b>	<b>26,245</b>	<b>27,435</b>	<b>3,854</b>	<b>13,003</b>
Cash flow from investing activities	-1,280	-33,599	-1,502	-146,557	-13,690
Cash flow from financing activities	-15,044	4,946	-9,861	163,620	-2,516
<b>Cash flow for the period</b>	<b>-23,009</b>	<b>-2,408</b>	<b>16,072</b>	<b>20,917</b>	<b>-3,203</b>

Key performance indicators					
Net sales, SEK thousands	358,603	326,886	286,453	262,955	195,561
Growth in net sales, %	9.7	14.1	8.9	34.5	0.1
Gross margin, %	68.3	68.4	65.7	66.6	62.7
Adjusted EBITDA margin, %	7.5	10.4	9.5	13.7	6.5
EBITDA margin, %	6.5	10.4	2.9	8.5	6.5
EBITA margin, %	3.3	7.6	-0.2	8.7	0.4
Operating margin, %	-2.0	2.9	-5.1	1.0	0.4
Equity ratio, %	60.9	54.4	55.8	56.4	63.1
Return on equity, %	10.7	3.1	-10.3	-4.2	3.3
Basic earnings per share <sup>1</sup> , SEK	1.65	0.40	-1.39	-0.46	0.42
Diluted earnings per share <sup>1</sup> , SEK	1.65	0.40	-1.39	-0.46	0.42
Average number of shares <sup>1, 2</sup> , thousands	14,648	14,648	14,648	14,648	8,056
Number of shares at end of period, thousands	14,648	14,648	366,188	366,188	201,389
Market price on closing day, SEK	10.95	24.90	0.99	0.81	1.15
Market price on closing day <sup>1</sup> , SEK	10.95	24.90	24.75	20.25	28.75
Average number of employees	127	145	111	120	89

Of the figures presented for comparison, 2018 has not been restated in accordance with IFRS.

<sup>1</sup> Adjusted retroactively for the 1-for-25 share consolidation.

<sup>2</sup> The number of shares, basic and diluted, is the same since there are no options or convertibles outstanding that may give rise to dilution.

# Corporate Governance Report 2022

**TagMaster is a Swedish public limited company with shares listed on Nasdaq First North Growth Market Premier since 1 March 2021. This report is presented by TagMaster AB's Board of Directors and does not form part of the formal annual report documents.**

The TagMaster Group's governance is subject to both external regulations and internal governance documents. External regulations include the Swedish Companies Act, the Swedish Annual Accounts Act, the regulations of Nasdaq First North Growth Markets and other applicable laws and regulations. Internal governance documents include the Company's Articles of Association as adopted by the Annual General Meeting, the Rules of Procedure of the Board of Directors and the Board's Instructions to the Chief Executive Officer (CEO). Since listing on the First North Growth Market Premier, the Company has applied the Swedish Code of Corporate Governance (the "Code"). The Code is based on the "comply or explain" principle, in which companies applying the Code may deviate from individual rules, but in such cases must provide an explanation for the deviation.

## Annual General Meeting

Shareholder influence in TagMaster is exercised through the Annual General Meeting, which is the Company's highest decision-making body. The right of shareholders to resolve upon TagMaster's affairs is exercised at the Annual General Meeting or, where appropriate, at an Extraordinary General Meeting. The Annual General Meeting resolves upon:

- adoption of the annual report
- appropriation of the Company's profit or loss
- discharge from liability of the members of the Board of Directors and the Chief Executive Officer

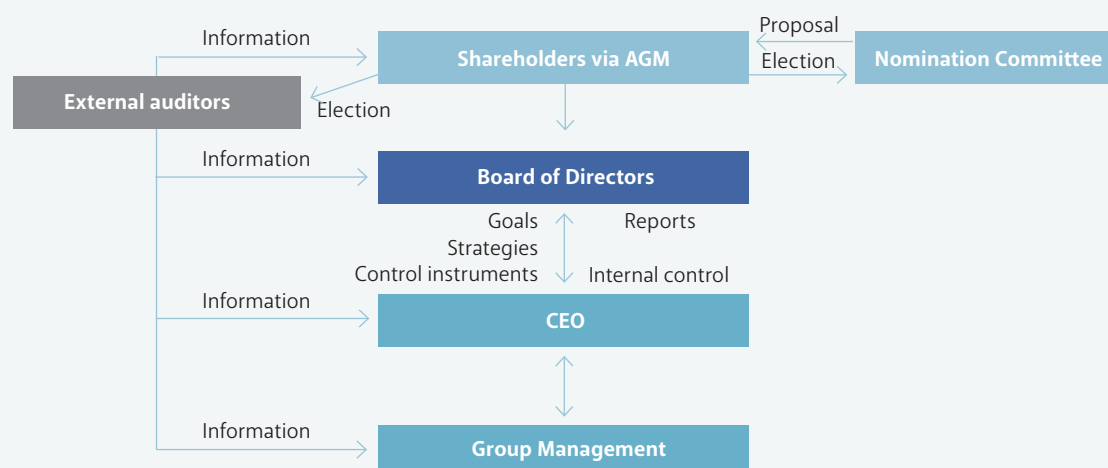
- election of Board members and auditors
- fees to the Board of Directors and auditors
- principles for appointing a nomination committee and instructions to the nomination committee
- introduction of long-term incentive schemes
- authorisation for the Board of Directors to resolve upon the issue of shares, warrants and/or convertibles
- other important issues

## Shareholders

At year-end 2022, TagMaster AB had 14,647,526 class B shares in issue, according to the share register maintained by Euroclear Sweden AB. Shares may be issued in two classes, class A and class B. Each class A share carries an entitlement of ten (10) votes at the Annual General Meeting and each class B share one (1) vote. All shares have an equal right to a share of the Company's profit and assets. All shares issued are class B.

Shareholder	No. of class B shares	Capital, %	Votes, %
Ribbskottet AB	2,010,000	13.7	13.7
Gert Sviberg, including company	2,000,000	13.7	13.7
Eiffel Investment Group SAS	1,574,858	10.8	10.8
Tomas Brunberg, including company	1,475,454	10.1	10.1

## TAGMASTER – CORPORATE GOVERNANCE MODEL



The total number of shareholders on 31 December was 2,336. Shareholders whose holdings of shares and voting rights exceeded 10 per cent are listed on page 32.

### Annual General Meeting 2022

The 2022 Annual General Meeting (AGM) was held on 28 April 2022. In view of the Covid-19 pandemic, the Board of Directors had decided that shareholders were to be able to exercise their voting rights before the Annual General Meeting by postal vote, pursuant to Section 4 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2022:121). Shareholders were thus able to exercise their voting rights at the meeting through physical participation, postal voting or proxy voting. Approximately 26 per cent of the shares were represented, of which around 13 per cent through postal voting and the rest through physical participation. Bernt Ingman, Chairman of the Board, was elected Chairman of the meeting. The following principal decisions were approved by the meeting (full minutes are available on TagMaster's website, at [www.tagmaster.com](http://www.tagmaster.com)):

- Adoption of the income statement and statement of financial position for the financial year 2021 and appropriation of profit or loss.
- Granting of discharge to the members of the Board of Directors and the CEO from liability to the Company.
- Determination of the remuneration to the Board of Directors and the auditor.
- Re-election of regular Board members Bernt Ingman, Gert Sviberg and Juan Vallejo and election of Liselott Lading as member for the first time.
- Re-election of Bernt Ingman as Chairman of the Board.
- Re-election of audit firm Mazars AB as the Company's auditor.
- Adoption of principles for the appointment of the Nomination Committee and instructions for that committee.
- Amendment of the Articles of Association by adding a new paragraph authorising the Board of Directors to pass a resolution to the effect that shareholders may exercise their voting rights by post before the general meeting.
- Authorisation for the Board of Directors to resolve upon the issue of shares, warrants and/or convertibles.

### Annual General Meeting 2023

TagMaster's Annual General Meeting for the financial year 2022 will be held in Kista on 16 May 2023. For further information, see page 94 of the Annual Report and the TagMaster website.

### Nomination Committee

The Nomination Committee represents the Company's shareholders, nominates Board members and auditors and proposes their fees. In accordance with a resolution at the 2022 AGM, TagMaster's Nomination Committee will consist of five members. The Nomination Committee shall consist of one representative of each of the four largest shareholders, in terms of votes, who wish to participate in the Nomination Committee, plus the Board Chairman.

### Nomination Committee for the 2023 Annual General Meeting

The composition of the Nomination Committee was announced via a press release, published on 15 November 2022, which is also available on TagMaster's website. This year's Nomination Committee comprises the following members:

- Gert Sviberg, Chairman of the Nomination Committee and member of the Board of Directors, via his own and affiliated companies' holdings.
- Anders Bladh, the largest shareholder in terms of votes, via related company holding (Ribbskottet AB)
- Didrik Hamilton, representative of the Hamilton/Lewenhaupt grouping.
- Tomas Brunberg, via related company holding
- Bernt Ingman, Chairman of the TagMaster Board.

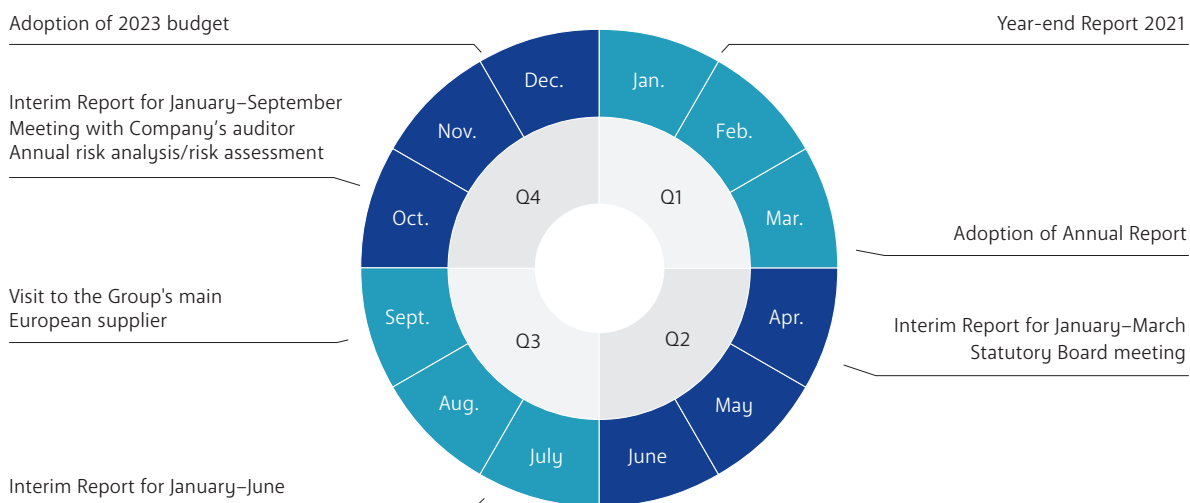
All members except Gert Sviberg and Anders Bladh are independent in relation to the Company, its management and the largest shareholder in terms of votes.

Prior to the 2023 AGM, the Nomination Committee had met on five occasions at the time this Annual Report was issued. The Chairman of the Board reported to the Nomination Committee on the annual assessment of the performance of the Board members. The Board Chairman also provided information on the Board's work during the year.

### Information on Board members

	Position	Independence from the Company and management/owners	Number Shares	Board fees as per AGM resolution, SEK thousands
Bernt Ingman	Chairman	Yes/Yes	16,000	280
Liselott Lading	Board member	Yes/Yes	–	140
Gert Sviberg	Board member	Yes/No	2,000,000	140
Juan Vallejo	Board member	Yes/Yes	–	140
<b>Total</b>				<b>700</b>

For further information on the members of the Board of Directors, see page 92 and Note 8 in the Annual Report.

**BOARD'S WORK IN 2022 – KEY EVENTS****Board of Directors**

The Board of Directors has overall responsibility for TagMaster's organisation and management and is the Company's highest decision-making body after the Annual General Meeting. The Board's responsibilities are governed by the Swedish Companies Act, the Swedish Annual Accounts Act and TagMaster's Articles of Association. The work of the Board is also clearly defined annually in the Board's Rules of Procedure, which are reviewed and re-adopted each year at the Board's statutory meeting after the AGM. The rules of procedure govern *inter alia* Board practices, functions and the distribution of work between the Board members and the CEO. The Board Chairman has a specifically defined responsibility towards the other members of the Board. At the statutory meeting of the Board, the Board also establishes instructions for the CEO.

**Composition of the Board**

According to the Articles of Association, the Board of Directors shall consist of no less than three and no more than seven members, with no more than three deputies. The members of the Board are elected annually at the AGM for the period until the end of the next AGM.

TagMaster's Board currently consists of four regular members.

**Independence of the Board of Directors**

Three of the four members of the Board are independent of the Company's major shareholders. Board member Gert Sviberg is regarded as a major shareholder, with an ownership stake (direct and indirect) of more than 10 per cent, and is therefore not independent. All Board members are independent of the Company and its management. The Code's requirement for the majority of the members elected at the AGM to be independent of TagMaster and its management, and for no less than two of them to be independent of the major shareholders, is thus fulfilled.

**Work of the Board in 2022**

According to the Board's rules of procedure, no less than four Board meetings must be held each year. Over the year, the Board held six regular meetings, one meeting *per capsulam* and one statutory meeting.

Regular meetings are held according to a calendar established annually. Standing items addressed at Board meetings include the CEO's briefing and quarterly financial report, as well as the outlook for the quarters ahead. In addition to these day-to-day issues, the following areas are covered: risk, strategy and acquisition issues, budget, adoption of the financial statements and annual report, and the auditor's debriefing. At all regular meetings during 2022, special attention was also paid to the challenging component supply situation and its impact on the business.

Apart from Gert Sviberg, who was prevented from attending one meeting, all Board members were present, physically or digitally, at all Board meetings during the year. The CEO participated in a reporting capacity in all the meetings of the Board.

As no specific committees have been set up, all areas were dealt with by the Board as a whole.

**Board evaluation**

In 2022, the Board of Directors and the work of the Board was evaluated via a Web-based Board survey performed by an external provider. In the survey the Board members, individually and anonymously, rated statements regarding the Board as a whole, the Chairman of the Board, the CEO's work in the Board and their own performance. The evaluation aims to identify the effectiveness of the Board and addresses focus areas and whether there are any needs for specific competences or changes in working methods. The evaluation was presented to the Nomination Committee and formed the basis for proposals for the Board of Direc-

tors and remuneration levels. In addition, the Nomination Committee interviewed all Board members. In view of the Company's operations, stage of development and other circumstances, the evaluation shows that the Board considers that its composition is appropriate and characterised by diversity and breadth in terms of the members' competence, experience, background and commitment.

### Proposals for the 2023 AGM

The Nomination Committee's proposals for the 2023 AGM are available on the Company's homepage, at [www.tagmaster.com](http://www.tagmaster.com).

### Auditor

The auditor is appointed by the AGM and presents an audit report regarding its audit of the annual accounts, accounting records and consolidated accounts, as well as of the administration of TagMaster by the Board of Directors and the CEO. The auditor also performs a general review of the nine-month report. At least once a year, the Company's auditor meets with the Board of Directors without the presence of the CEO and other members of management. At the 2022 AGM, the registered audit firm Mazars AB was re-elected.

TagMaster's fees to the auditors are disclosed in the Annual Report, Note 7, Remuneration to auditors.

### CEO and other senior executives

The CEO reports to the Board of Directors and is responsible for day-to-day management of the Group's operations in accordance with applicable law and the Board's guidelines and instructions. The CEO provides the Board, both before and between Board meetings, with the information necessary for its work.

The CEO in turn appoints the other members of the Group Management. The CEO and other members of Group Management are presented on page 93. The members of Group Management are responsible for the implementation of the strategy in their particular areas. Group Management meetings are held on a regular basis and during 2022 the members of Group Management concerned met frequently to address supply chain imbalances caused by the prevailing component shortage.

SEK thousands	Fee/ remunera- tion	Variable remunera- tion	Pension expense	Other benefits
CEO, Jonas Svensson	2,875	500	669	–
Other senior executives (8)	12,971	172	1,675	925
<b>Total</b>	<b>15,846</b>	<b>672</b>	<b>2,344</b>	<b>925</b>

### Remuneration to the CEO and other senior executives

The Board has decided that pertinent issues regarding remuneration of senior executives shall be addressed by the Board as a whole. The current remuneration levels and other terms of employment for the CEO and other senior executives have been determined by the Board. The table below shows the remuneration of the CEO and other senior executives for the 2022 financial year.

The CEO has a notice period of six months in the event of voluntary resignation. Should employment be terminated by the Company, a notice period of 12 months applies. Agreements regarding pensions, including health insurance benefits, are for the most part defined-contribution and are structured in accordance with the levels, practices and collective agreements in force in the country where the executive is employed.

At time of presentation of the Annual Report, no outstanding share or share-related incentive plans are in force.

### Internal control over financial reporting

The Board of Directors has overall responsibility for internal control over financial reporting. The essential elements of TagMaster's internal control structure are control environment, risk assessment, control activities and monitoring.

### Control environment

TagMaster's control environment includes the values and ethics that the Board, CEO and Group Management communicate and operate from, as well as the Group's organisational structure, leadership, responsibilities and powers.

Day-to-day financial reporting is decentralised and is performed primarily in the Group's subsidiaries. The central finance function is responsible for monitoring the financial reporting of subsidiaries and for external financial reporting. Responsibilities and powers are defined in the attestation instructions, manuals, guidelines and policy documents. These include the Articles of Association, the rules of procedure for the work of the Board of Directors, instructions for the division of tasks between the CEO and the Board of Directors, the information and insider policy and instructions for financial reporting. These guidelines, together with laws and external regulations, form what is known as the control environment. The relevance and timeliness of these instructions are reviewed by the Board on an ongoing basis.

### Risk assessment

The Board of Directors assesses the Group's risks on an ongoing basis. The aim is to identify market or business events that may lead to changes in the valuation of assets and liabilities. Another important aspect of the risk assessment is to take note of changes in accounting rules and

ensure that such changes are reflected correctly in the financial reporting. The CFO is responsible for preparing the Board's assessments and for operationally monitoring the risks identified. For further information regarding risk assessment, see Note 4, Financial risks and risk management on pages 55–56, and pages 40–43 of the Annual Report.

### Control activities

The control structures have been designed to manage the risks that the Board and management deem material to the business and financial reporting. TagMaster's control structure consists of an organisation with clear roles that enable effective and appropriate division of tasks and responsibilities, as well as instructions and specific control activities for timely detection or prevention of the risk of reporting errors. Control activities include:

- clear decision-making processes and authorisation scheme for key decisions (e.g. on purchases, contracts, new product development and acquisitions)
- monthly profit and loss and cash flow analyses with deviation monitoring against budget and forecasts
- monthly risk assessments for overdue trade receivables.

### Monitoring

Monitoring of control activities is performed on an ongoing basis to ensure that risks have been adequately taken into account and addressed. Monitoring to ensure the effectiveness of internal control over financial reporting is performed by the Board of Directors, the CEO and Group Management.

In addition, TagMaster's external auditor reports to the Board its findings from the audit of the internal control environment.

### Evaluation of the special audit function

In view of TagMaster's size and activities, the Board has determined that there is no need for a special audit function. The reason for this position is that the existing organisation and control structure is deemed to enable efficient operations, to identify risks in financial reporting and to ensure compliance with applicable laws and regulations. The need for a dedicated audit function is assessed annually by the Board.

### Auditor's opinion on the corporate governance report

To the Annual General Meeting of TagMaster AB (publ),  
Corp. ID No. 556487-4534

### Tasks and responsibilities

The Board of Directors is responsible for the 2022 corporate governance report on pages 35–39, and for ensuring that it is prepared in accordance with the Annual Accounts Act.

### Focus and scope of the review

Our review was conducted in accordance with FAR's recommendation RevR 16 Auditor's Review of the Corporate Governance Report. This means that our audit of the corporate governance report has a different focus and is significantly lesser in scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a reasonable basis for our opinions.

### Opinion

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, section 6, second paragraph, items 2–6 of the Swedish Annual Accounts Act and Section 7, second paragraph, of Chapter 31 of the same Act are consistent with the annual accounts and consolidated accounts and comply with the Swedish Annual Accounts Act.

Stockholm, 23 March 2023

Mazars AB

Anders Bergman

Authorised Public Accountant

# Directors' report 2022

## Operations

TagMaster and subsidiaries ("the Group" or "TagMaster") is an application-oriented technology company that develops and sells advanced sensor systems and solutions based on radio, radar, magnetic and camera technologies for demanding environments. Sensor technologies are offered in combination with advanced software as a full range IoT platform for creating smarter traffic solutions. TagMaster operates in two business segments, Traffic Solutions and Rail Solutions, under the brands TagMaster, Sensys Networks and Citilog. It offers innovative ITS solutions to increase efficiency, safety and convenience, and to reduce environmental impact in Smart Cities. TagMaster exports mainly to Europe, North America, the Middle East and Asia via a global network of partners and system integrators.

## Product development

The development team uses a common digital platform for collaboration, governance and monitoring. All employees work in a standardised IT environment, enabling their tasks to be performed in a similar way, irrespective of physical location. Development resources are allocated on an ongoing basis to the different product areas in accordance with the Company's commercial strategy of growth and profitability.

The team is characterised by a high level of expertise, which also means very limited use of external consultants in technology development. In addition, staff turnover is low, resulting in lower costs, higher efficiency, good continuity and a very high level of capability for ongoing product management.

During the year, development resources were largely used to augment the basic offering in the product portfolio and to address component shortages in the market through redesign. The portfolio was strengthened via new functions and products in our magnetic sensor offering, new products for counting and classifying road users and vehicles and RFID products for train applications. An increased focus on software-based activities is feeding through into regular mobile app releases for installation personnel, maintenance personnel and users. In addition, updates of and improvements in software for conversion, consolidation, presentation and analysis of traffic data have been developed.

## Significant events during the year

TagMaster, like so many other technology companies, was affected in 2022 by continued component shortages and also by capacity shortages at our main supplier. These problems eased in the latter part of the financial year and it is hoped they will have been fully resolved in the

first quarter of 2023. TagMaster continually monitors any further risks arising from disruptions in the supply chain and measures are implemented on an ongoing basis to mitigate their impact. In addition, the Company remains focused on cost control and cash flow.

## Expected future developments

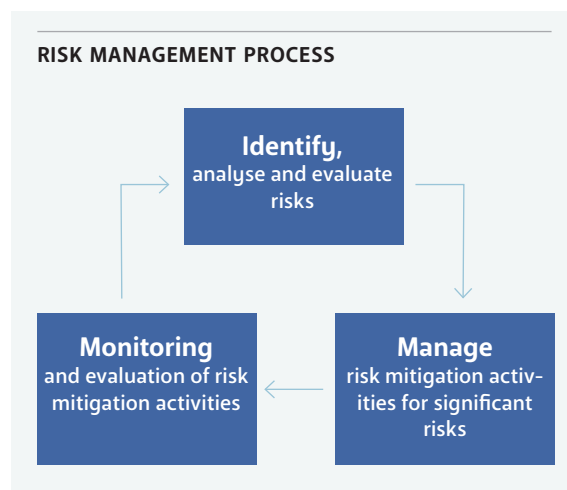
In view of the current global uncertainty regarding component shortages, we need to temper our ambitions for the immediate future. In the medium term, TagMaster can see that the massive restart packages launched in Europe and the USA are largely focused on green investments in sustainable transport system, which will benefit the Company's business. The global supply chain for both semiconductors and other components will remain volatile. This may again negatively impact sales of some of the Company's products during 2023.

The Group's Board and management remain positive about the longer-term outlook. With greater volume and a broader range that also extends more towards data solutions and software in important growth areas, the Company identifies good long-term opportunities for growth.

TagMaster's growth strategy focuses on growing organically and via acquisitions in existing and related technology areas, with the aim of expanding the Company's offering of products and solutions and its market presence. The goal is to be an attractive supplier of data-based real-time information, which is one of the corner-stones for building the Smart Cities of the future.

## Risks and risk management

As a natural part of running an enterprise, all business activities involve risk. The purpose of risk management is not to avoid risks but to ensure that strategies are in place to manage the risks to which TagMaster's business is



exposed. The risk management process aims to identify, assess and manage business-critical risks. The Board is ultimately responsible for ensuring that an effective risk management process is implemented. The CEO and CFO are responsible for providing the Board with documents containing material for the annual identification and assessment of risks. The documents are based on information from the employees, above all in the Group's management team, who have operational responsibility for day-to-day risk management in each area.

In 2022, the Group was affected by instability in the global supply chain for both semiconductors and other components. Major efforts have therefore been made to mitigate the risks related to the component shortage and capacity shortage at our main European supplier.

TagMaster's exposure to Russia and Belarus is limited, amounting to less than 1 per cent of sales. The Company has halted all sales to these countries and will not resume business activities in the markets until the sanctions against Russia are lifted.

Risks from world events	Description	Management
<b>Crises</b>	Crises include all those arising from world events that are beyond TagMaster's control and that are difficult to predict, such as wars, terrorist attacks, cyber-attacks, pandemics, extreme weather events and environmental disasters.	The risk that future crises may have a significant negative impact on the Group is managed by ensuring that operations are organised in a way that can be quickly adapted to new and unexpected circumstances. This is done by maintaining a high level of preparedness with a focus on employees, customers, business partners, cost control and cash flow.
<b>The general economy and world events</b>	The outlook on world events and the world economy may affect customers' propensity to invest, as well as demand, and consequently may impact the Group's sales and profitability. (Lower profitability may weaken TagMaster's ability to implement our strategy to invest in organic growth and acquisitions).	TagMaster addresses these risks by operating in several different geographical markets and in two different business areas, Rail and Traffic. This means that any decline in one business area and/or geographical market may be partly offset by an increase in sales in another.
Operational risks	Description	Management
<b>Competition</b>	Both small and large enterprises are active in several areas of technology, including RFID, ANPR, radar and wireless magnetic, where there is considerable competition. Technology is developing at a rapid pace, and the major players can make substantial investments and introduce new, competing technology. Also, new companies with new technology and low prices may become established in the field and make TagMaster less competitive.	To meet growing competition in technology, and to come up with competitive products for the future, development activities have been strengthened and streamlined in Kista and at the Group's other development units in Stevenage, Toulouse, Grenoble, Berkeley and Paris.
<b>Customers and partners</b>	The Group has numerous large and small partners in more than 45 countries. These partners consist of distributors, resellers and integrators. In 2022, TagMaster's largest partner accounted for approximately 7 per cent of total sales, with the five largest together representing around 26 per cent. The loss of a significant partner may thus have major consequences for the Group.	Because the Group has grown both organically and through acquisitions, TagMaster has opportunities to compensate for any losses via new and existing partners in our new domestic markets. Working with our partners, we are continuously developing our product offering to successfully satisfy the future needs of both existing and potential new customers.
<b>Supply chain</b>	The Group's production and logistics are for the most part outsourced, giving great flexibility in the production flow, in terms of both capacity and costs. However, subcontractors are dependent on deliveries in accordance with agreed requirements regarding, for example, quality and delivery times. Incorrect or failed deliveries and capacity shortages may cause disruptions in the supply chain, which may in turn lead to lost sales for TagMaster.	To manage the risk of shortages of components and other inputs causing disruption in the production flow, a dedicated team works within a systematic process to plan and optimise purchases. Efforts to assure the supply of components are coordinated and performed in co-operation with subcontractors.

Operational risks	Description	Management
<b>Employees</b>	Failure to recruit, develop and retain employees and senior executives with the right skills may result in TagMaster underperforming and failing to achieve its set strategic objectives.	TagMaster strongly focuses on integrating and implementing its core values in order to strengthen the Group's shared corporate culture. The Group's ability to attract and retain qualified and motivated staff is considered good, as TagMaster offers market-level remuneration in a business with attractive and challenging technology and an international market presence.
<b>Personal dependency</b>	Personal dependency – where a small number of employees have knowledge and skills that are critical to the business – may pose a risk of disruption to the business in the event of, for example, illness, or if key individuals choose to leave the Group.	Measures taken to prevent any negative effects of personal dependency include the following: <ul style="list-style-type: none"> <li>• Introduction and documentation of Group-wide processes and procedures.</li> <li>• Mapping of employees' competency levels in business-critical systems.</li> <li>• Activities to promote knowledge transfer between different functions and units within the Group.</li> </ul>
<b>Product liability</b>	Claims being brought due to malfunction and any of the Group's products causing unexpected damage cannot be ruled out. If any such costs exceed the level of insurance cover, this may have consequences in terms of the Group's financial situation.	To prevent product malfunction or other damage, our customers are given clear information via product specifications and data sheets. Our products undergo testing, and procedures are in place to ensure that the products comply with the relevant specifications. Should any defects or damage still occur, TagMaster has insurance in place to cover the costs.
<b>Intellectual property rights (IPR)</b>	The Group is exposed to the risk of failing to develop, capitalise on, improve and protect the Group's intellectual property rights, such as product innovations and brands.	To manage the risk of infringement and plagiarism of the Group's products, the Group has a number of its own patents, either approved or pending, for a number of main markets. The patents refer to some of the core features of our products and the name TagMaster is a registered trademark. Management of patents is the responsibility of the Group's CTO.
<b>Acquisitions and integration</b>	One element of the Group's strategy is to focus actively on company and business acquisitions. Strategic acquisitions will be part of our future growth strategy. However, there is no guarantee that we will identify suitable acquisition targets. Neither are there any guarantees that the financing necessary for any future acquisition candidates can be obtained. The process of acquisition involves risk. The acquired company's relationships with customers, suppliers and key personnel may be adversely affected. Another risk is that integration processes may be more costly or more time-consuming than expected, and that anticipated synergies do not materialise at all, or only in part.	To manage this risk, acquisitions undergo a well-proven acquisition process in which Board and management are involved from the start. Any potential acquisition targets are assessed on the basis of financial, technical and commercial factors. The potential of the candidates to strengthen the Group's product portfolio and any possible synergies are in particular taken into account. After new businesses are taken over, they are incorporated and integrated into the Group via a structured process.
<b>IT and cyber security</b>	Unauthorised access to the Group's IT systems may result in the loss of sensitive data and business interruptions.	TagMaster has a decentralised IT environment, which reduces the risk of major operational disruptions and data breaches. The Group continuously focuses on increasing IT security and security arrangements including a password policy and multifactor authorisation are implemented.

<b>Regulatory compliance</b>	<b>Description</b>	<b>Management</b>
<b>Regulatory compliance</b>	Non-compliance may lead to financial losses and regulatory sanctions.	TagMaster monitors developments regarding laws, regulations and practices in the areas that are most material to the Group and consults experts in tax legislation and other legal areas when considered necessary. To ensure good compliance with the First North Growth Market's rules and for guidance on MAR-related issues, we consult our Certified Advisor, FNCA.
<b>Reporting risks</b>	<b>Description</b>	<b>Management</b>
<b>Reporting risks</b>	The risk that an official report in the form of an interim or annual report does not give a true and fair view of TagMaster's operations, results and financial position.	<p>The consolidated financial statements are prepared in accordance with applicable legislation and accounting standards. To ensure that the financial reporting of all entities is reliable, consistent and in accordance with applicable accounting standards, Group-wide governing documents are applied, and are updated on a regular basis.</p> <p>Control activities are integrated into the accounting and financial reporting processes. Profit and loss and liquidity analyses with deviation monitoring against budget and forecasts are carried out regularly by the CEO and the Group finance function.</p>
<b>Financial risks</b>	<b>Description</b>	<b>Management</b>
<b>Currency risk</b>	This is the risk of the Group's financial performance and equity being adversely affected due to changes in exchange rates. The Group is exposed to two types of currency risk: transaction exposure and translation exposure. Transaction exposure concerns currency risk attributable to the Group's payment flows in foreign currency. Translation exposure is the risk to which the Group is exposed on translation of the income statements and balance sheets of the foreign subsidiaries into the Group's presentation currency (SEK).	Price clauses are included in sales agreements to reduce the risk of adverse effect on the Group's financial performance and position due to currency fluctuations. To the same end, every effort is made to achieve a balance between the selling currency and buying currency.
<b>Interest rate risk</b>	The Group's interest rate risk is primarily associated with interest-bearing liabilities.	In order to manage interest rate risk, LIBOR has been hedged at 1.65 per cent with an interest rate swap. The hedged amount is 80 per cent of the original liability of USD 5.7 million.
<b>Credit risk</b>	The risk that one of TagMaster's counterparties in a financial instrument is unable to fulfil its obligations, thereby causing a financial loss. The risk that customers fail to meet their credit obligations constitutes the major part of TagMaster's counterparty risk.	Procedures are in place to check and monitor the financial situation of new and existing customers in order to manage the risk of bad debt. Customer credit insurance covers most customers, and if the credit rating is not considered sufficiently high, payment in advance is required before delivery.
<b>Liquidity risk</b>	Liquidity risk is the risk of TagMaster not being able to meet its payment obligations in full as they fall due, or being able to do so only with financing on highly unfavourable terms.	The Group is always striving to improve its liquidity and has overdraft facilities in place to offset liquidity risk.
For further information regarding the Group's pensions, see Note 4, pages 55–56.		

**Multi-year overview**

Group (SEK th.)	2022	2021	2020	2019	2018
Net sales	358,603	326,886	286,453	262,955	195,561
Operating income	-7,105	9,570	-14,613	2,685	774
Profit/loss after financial items	-11,817	6,747	-18,549	-9	418
Balance sheet total	413,930	367,396	319,154	386,443	167,058
Equity ratio (%)	60.9	54.4	55.7	56.4	63.1
Average number of employees	127	145	111	120	89

Of the years presented for comparison, 2018 has not been restated in accordance with IFRS.

The areas affected by the transition to IFRS are:

- Application of IFRS 3 to the acquisition analysis regarding the acquisition of Sensys Networks Inc.

**Revenue and profit**

Sales for the year were higher than last year, at SEK 358.6 million (326.9), an increase of 9.7 per cent. Of total sales, European operations generated SEK 200.3 million (203.5), with the Rail Solutions business segment accounting for SEK 52.4 million (67.7) and the USA business SEK 158.3 million (123.4).

Costs totalled SEK 221.5 million (197.3).

**Cash flow and financial position**

At 31 December 2022, available liquidity was SEK 67.7 million (92.1), including bank overdraft facilities of SEK 31.5 million (38.6). The equity ratio at the end of the period was 60.9 per cent (54.4). Operating cash flow for the financial year amounted to SEK -6.7 million (26.2).

Trade receivables totalled SEK 75.2 million (62.7) while trade payables came to SEK 19.9 million (14.6). Inventories were recorded at SEK 50.8 million (36.6).

**Parent Company**

The Parent Company reported sales of SEK 93.0 million (85.0). Operating profit for the period totalled SEK 7.0 million (11.2) and profit after tax SEK 1.8 million (5.6). Sales for the year and operating profit include invoicing of SEK 2.7 million (3.2) for intra-Group services. The Parent Company had an average of 16 (17) employees.

**Personnel**

The average number of employees was 127 (145), with women representing 18 per cent (18). At year-end, the Company had 120 (137) employees.

**Multi-year overview**

Parent Com- pany (SEK th.)	2022	2021	2020	2019	2018
Net sales	92,990	84,975	74,712	84,175	73,891
Operating income	7,014	11,162	10,993	15,728	8,722
Profit/loss after financial items	3,108	9,501	9,814	15,554	8,303
Balance sheet total	337,684	343,225	328,651	323,112	139,505
Equity ratio (%)	77.7	76.0	77.7	77.0	84.6
Average number of employees	16	17	19	19	20

- Reversal of previous years' amortisation of goodwill.
- Capitalisation of development expenditure.
- Recognition of operating leases in the Consolidated statement of financial position.
- Recognition of defined-benefit plans.

**Shareholders**

TagMaster AB (publ.) Corp. ID No. 556487-4534, registered office in Stockholm, is a listed company with its shares traded on the Nasdaq First North Premier Growth Market in Stockholm. TagMaster's Certified Advisor is FNCA. The number of TagMaster shareholders on 31 December 2022 was 2,336 (2,577). At year-end, the following shareholders held more than 10 per cent of the shares in the Company:

Shareholder	No. of class B shares	Capital, %	Votes, %
Ribbskottet AB	2,010,000	13.7	13.7
Gert Sviberg, including company	2,000,000	13.7	13.7
Eiffel Investment Group SAS	1,574,858	10.8	10.8
Tomas Brunberg, including company	1,475,454	10.1	10.1

**Allocation of unappropriated profit**

(Amounts in SEK)

**Proposed allocation of the Company's profit**

The following unappropriated profit is available for allocation by the AGM:

Retained earnings	70,785,239
Share premium reserve	171,454,976
Net profit/loss for the year	1,776,022
<b>Total</b>	<b>244,016,237</b>

The Board of Directors proposes:

To be carried forward	244,016,237
<b>Total</b>	<b>244,016,237</b>

## Consolidated income statement

Amounts in SEK th.	Note	2022	2021
Net sales	6	358,603	326,886
Other revenue	9	3,532	9,382
Change in inventories during manufacture and finished goods		3,338	832
Goods for resale, raw materials and consumables	12	-117,180	-104,186
Other external expenses	7, 12	-54,998	-51,458
Personnel expenses	8, 12	-168,673	-145,887
Depreciation of property, plant and equipment and amortisation of intangible assets		-30,269	-24,538
Other operating expenses	9	-1,458	-1,461
<b>Operating profit/loss</b>		<b>-7,105</b>	<b>9,570</b>
Financial income	10	2,277	2,969
Financial expenses	10	-6,989	-5,792
<b>Profit/loss before tax</b>		<b>-11,817</b>	<b>6,747</b>
Tax expense for the year	11	35,971	-889
<b>Net profit/loss for the year</b>		<b>24,154</b>	<b>5,858</b>
<b>Net profit/loss attributable to:</b>			
Shareholders in the Parent Company		24,154	5,858
<b>Earnings per share, SEK</b>	13		
Basic earnings per share <sup>1</sup>		1.65	0.40
Diluted earnings per share <sup>1</sup>		1.65	0.40

1) Adjusted retroactively for the 1-for-25 share consolidation.

## Consolidated statement of comprehensive income

Amounts in SEK th.	Note	2022	2021
<b>Net profit/loss for the year</b>		<b>24,154</b>	<b>5,858</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified to profit or loss:			
Exchange differences in translation of foreign operations		27,188	15,718
Items not to be reclassified to the income statement:			
Revaluation of the net pension obligation	25	1,351	249
Tax on the above		-401	-82
<b>Comprehensive income for the year</b>		<b>52,292</b>	<b>21,743</b>
<b>Comprehensive income for the year attributable to:</b>			
Shareholders in the Parent Company		52,292	21,743

# Consolidated statement of financial position

Amounts in SEK th.	Note	31/12/2022	31/12/2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	174,106	176,178
Property, plant and equipment	15	3,038	3,031
Right-of-use assets	16	8,656	11,605
Other non-current receivables	17	6,066	1,358
Deferred tax assets	18	41,513	5,192
<b>Total non-current assets</b>		<b>233,379</b>	<b>197,364</b>
<b>Current assets</b>			
Inventories	19	50,753	36,570
Trade receivables	20	75,201	62,738
Other receivables	21	18,374	17,204
Cash and cash equivalents	22	36,223	53,520
<b>Total current assets</b>		<b>180,552</b>	<b>170,032</b>
<b>TOTAL ASSETS</b>		<b>413,930</b>	<b>367,396</b>

## Consolidated statement of financial position (cont.)

Amounts in SEK th.	Note	31/12/2022	31/12/2021
<b>SHAREHOLDERS' EQUITY</b>	23		
Share capital		18,309	18,309
Other contributed capital		241,459	241,459
Translation reserve		21,357	-5,831
Retained earnings including profit/loss for the year		-28,896	-54,000
<b>Total equity attributable to shareholders in the Parent Company</b>		<b>252,229</b>	<b>199,937</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	24	19,900	35,506
Deferred tax liabilities	18	2,702	2,815
Provisions	25, 26	11,002	16,246
Lease liabilities	16	1,825	6,296
Other non-current liabilities	28	4,779	11,361
<b>Total non-current liabilities</b>		<b>40,207</b>	<b>72,224</b>
<b>Current liabilities</b>			
Trade payables		19,869	14,569
Liabilities		240	2,541
Liabilities to credit institutions	24	28,382	16,852
Provisions	25, 26	4,495	2,378
Conditional purchase considerations	27	–	–
Lease liabilities	16	7,173	5,604
Other liabilities	30	61,334	53,291
<b>Total current liabilities</b>		<b>121,493</b>	<b>95,235</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>413,930</b>	<b>367,396</b>

## Consolidated statement of changes in equity

Amounts in SEK th.	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit/loss for the year	Total equity
Opening balance, 1 January 2021	18,309	241,459	-21,549	-60,025	178,194
Profit for the period	–	–	–	5,858	5,858
Other comprehensive income	–	–	15,718	167	15,885
<b>Total comprehensive income</b>	–	–	<b>15,718</b>	<b>6,025</b>	<b>21,743</b>
Closing balance, 31 December 2021	18,309	241,459	-5,831	-54,000	199,937
Opening balance, 1 January 2022	18,309	241,459	-5,831	-54,000	199,937
Profit for the period	–	–	–	24,154	24,154
Other comprehensive income	–	–	27,188	950	28,138
<b>Total comprehensive income</b>	–	–	<b>27,188</b>	<b>25,104</b>	<b>52,292</b>
Closing balance, 31 December 2022	18,309	241,459	21,357	-28,896	252,229

Equity attributable to shareholders in the Parent Company.

## Consolidated statement of cash flows

Amounts in SEK th.	Note	2022	2021
<b>Operating activities</b>			
Operating profit/loss		-7,105	9,570
Adjustments for non-cash items	33	29,423	26,385
Interest paid		-2,988	-2,484
Interest received		0	69
Tax paid		-1,036	0
Tax received		0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>18,294</b>	<b>33,540</b>
Change in inventories		-10,644	5,671
Change in operating receivables		-12,017	427
Change in operating liabilities		-2,318	-13,393
<b>Cash flow from operating activities</b>		<b>-6,685</b>	<b>26,245</b>
<b>Investing activities</b>			
Acquisition of subsidiaries, less acquired cash and cash equivalents	32	–	-30,286
Additional purchase consideration settled		–	-2,008
Investments in property, plant and equipment	15	-1,376	-1,265
Net of paid-in and repaid deposits		96	-40
<b>Cash flow from investing activities</b>		<b>-1,280</b>	<b>-33,599</b>
<b>Financing activities</b>	33		
Borrowings		–	27,728
Repayment of loans		-17,870	-13,185
Change in bank overdraft facilities		9,857	-4,400
Amortisation of lease liabilities		-7,031	-5,197
<b>Cash flow from financing activities</b>		<b>-15,044</b>	<b>4,946</b>
<b>Cash flow for the period</b>		<b>-23,009</b>	<b>-2,408</b>
Exchange rate differences in cash and cash equivalents		5,712	4,142
<b>Cash and cash equivalents at start of year</b>		<b>53,520</b>	<b>51,786</b>
<b>Cash and cash equivalents at year-end</b>	22	<b>36,223</b>	<b>53,520</b>

# Notes to the consolidated financial statements

Amounts in SEK th. unless otherwise specified

## Note 1 • General information

TagMaster AB (publ.), Corp. ID No. 556487-4534, registered office in Stockholm, Sweden. The address of the Company's head office is Kronborgsgränd 11, SE-164 46 Kista, Sweden.

In this report, TagMaster AB (publ.) is referred to either by its full name or as the Parent Company. The Parent Company and its subsidiaries are referred to as TagMaster, the TagMaster Group or the Group.

All amounts are stated in thousands of Swedish kronor (SEK th.), unless otherwise indicated. Figures in parentheses refer to the preceding year.

TagMaster develops and sells advanced sensor systems and solutions based on radio, radar, magnetic and camera technologies for demanding environments. TagMaster operates in two segments – Segment Europe and Segment USA – under the brands

TagMaster and Sensys Networks. The Company offers innovative mobility solutions to increase efficiency, safety and convenience, and to reduce environmental impact in Smart Cities. TagMaster has subsidiaries in the UK, France and the USA, and exports mainly to Europe, the Middle East, Asia and North America through a global network of partners and system integrators.

TagMaster AB (publ.) is a listed company with its shares traded on the Nasdaq First North Growth Premier Market in Stockholm. TagMaster's Certified Advisor (CA) is FNCA Sweden.

The Annual Report and Consolidated financial statements were approved by the Board of Directors on 23 March 2023. The Consolidated and Parent Company income statements and balance sheets will be presented for approval at the Annual General Meeting to be held on 16 May 2023.

## Note 2 • Summary of significant accounting policies

This note describes the significant accounting principles applied in the preparation of these consolidated financial statements, where not described in other notes.

### Basis of preparation of the financial statements

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The Group also applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Council Recommendation RFR 1, Supplementary Accounting Rules for Groups.

### Cost method of accounting

In the consolidated financial statements, items have been measured at cost, except with regard to certain financial instruments measured at fair value.

### New IFRS not yet applied

New and amended IFRS for future application are not expected to have any material impact on the Group's financial statements.

### Consolidated financial statements

The consolidated accounts comprise the Parent Company, TagMaster AB, and the companies over which the Parent Company has a controlling influence. A controlling influence exists when the Group is exposed to, or is entitled to, variable returns from its involvement in an entity and may use its influence over the entity to influence the size of its returns. A controlling influence normally exists where the Parent Company holds, directly or indirectly, shares representing more than 50 per cent of the voting rights.

Subsidiaries are included in the consolidated financial statements from the time of acquisition until the time when the Parent Company no longer has a controlling influence over the subsidi-

ary. The accounting policies for subsidiaries have been adjusted, where necessary, to comply with the Group's accounting policies. All intra-Group transactions, balances and unrealised gains and losses attributable to intra-Group transactions have been eliminated in the preparation of the consolidated financial statements.

Changes in the Parent Company's participation in a subsidiary that do not result in a loss of controlling influence are recognised as equity transactions (i.e. as transactions with the Group's owners). Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and distributed among the owners of the Parent Company.

When the Parent Company loses a controlling influence over a subsidiary, the gain or loss on disposal is calculated as the difference between:

- (i) the sum of the fair value of the consideration received and the fair value of any remaining holdings and
- (ii) the previously reported carrying amounts for the assets of the subsidiary (including goodwill), and liabilities and any holdings without controlling interest.

The fair value of remaining holdings in the former subsidiary at the time when the controlling interest is lost is regarded as the fair value at initial recognition of a financial asset under IFRS 9 Financial Instruments: Recognition and measurement or, where applicable, the cost at initial recognition of an investment in an associate or jointly controlled entity.

### Segment reporting

Operating segments are reported in a way that is consistent with the internal reporting made to the highest executive decision-maker. At TagMaster, the CEO is the highest executive decision-maker. For further information regarding the Group's segment reporting, see Note 5.

**Foreign currency**

Items included in the financial statements of the various units in the Group are recognised in the currency used in the primary economic environment in which each entity mainly operates (functional currency). In the consolidated financial statements, all amounts are translated to Swedish kronor (SEK), which is the Parent Company's functional currency and reporting currency.

Transactions denominated in foreign currency are translated in each unit into the unit's functional currency at the exchange rates prevailing on the date of the transaction. At each balance sheet date, monetary items in foreign currency are translated at the closing rate. Non-monetary items, measured at fair value in a foreign currency, are translated at the exchange rate on the date on which the fair value was determined. Non-monetary items, which are measured at historical cost in a foreign currency, are not translated.

Exchange rate differences are recognised in the income statement for the period in which they arise.

When preparing consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated to Swedish kronor at the closing rate. Interest and expense items are translated at the average rate for the period. Any translation differences arising are recognised in other comprehensive income and transferred to the Group's translation reserve. When a foreign subsidiary is divested, any such translation differences are recognised in the income statement as part of the capital gain.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of those activities and are translated at the closing rate.

**Revenue from contracts with customers**

The accounting policies applying specifically to the Group's revenue from contracts with customers are described in Note 6.

**Tax**

The tax expense consists of the sum of current tax and deferred tax.

Current tax is calculated on the taxable profit for the period. Taxable profit differs from the recognised profit or loss in the income statement, when it has been adjusted for non-taxable income and non-deductible expenses, as well as for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated according to the tax rates applying on the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax base used in the calculation of taxable profit or loss. Deferred tax is reported in accordance with the balance sheet method. As a principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised in principle for all deductible temporary differences insofar as it is likely that the amounts can be used against future taxable profits. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises as a result of a transaction that constitutes the initial recognition of an asset or liability (that is not a business combination) and that, at the time of the transaction, affects neither recognised nor tax profit or loss.

A deferred tax liability is recognised for taxable temporary differences attributable to investments in subsidiaries, except where the Group can control the time of reversal of the temporary differences and where it is likely that such a reversal will not take place in the foreseeable future. The deferred tax assets attributable

to deductible temporary differences in such investments are recognised only insofar as it is likely that the amounts can be used against future taxable profits and it is probable that such use will take place in the foreseeable future.

The carrying amount of deferred tax assets is examined at each closing date and reduced insofar that it is no longer likely that sufficient taxable profits will be available to be used, in whole or in part, against the deferred tax asset.

Deferred tax is calculated at the rates expected to apply for the period in which the asset is recovered or the liability is settled, based on the tax rates (and tax laws) that have been enacted or announced at the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income tax charged by the same authority and when the Group intends to settle the tax with a net amount.

Current and deferred tax is recognised as an expense or income in the income statement, except where the tax is attributable to transactions recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or directly in equity. In the case of current and deferred tax arising from the recognition of business combinations, the tax effect is reported in the calculation of acquisition value.

**Leases**

The Group assesses whether a contract is or contains a lease at the beginning of the agreement. As a principle, all of the Group's identified leases relate to rental premises. The Group recognises a right of use and a corresponding lease liability for all leases in which the Group is lessee. However, this does not apply to short-term leases (defined as leases with a term of 12 months or less) or to leases where the underlying asset is of a low value. For such leases, the Group recognises lease payments as an operating expense on a straight-line basis over the lease term, unless another systematic approach better reflects how the economic benefits from the underlying asset are consumed by the lessee.

The lease liability is initially measured at the present value of the lease payments not made at the start date, discounted at the implicit interest rate of the lease. If this interest rate cannot be easily determined, the Group uses the marginal borrowing rate. The marginal borrowing rate is the interest rate that a lessee would have to pay for loan financing over a corresponding period, and with equivalent security, for the use of an asset in a similar economic environment.

Options are included in the lease term only if the exercise of an option for extension is considered reasonably certain, or if the exercise of a termination option is considered not to be reasonably certain. In order to reduce uncertainty for options that are far in the future, only the first option in time in a contract is included in the assessment. Management takes into account all available information that creates financial incentives to exercise an extension or termination option, such as the possibility of finding a suitable replacement location, removal expenses, existing leasehold improvements or negotiation costs for entering into a new lease.

Lease payments included in the measurement of the lease liability include:

- fixed lease payments (including in-substance fixed payments) less any benefits,
- variable lease payments that are linked to an index or rate, initially measured using an index or rate at the date of initiation.

The lease liability is presented on a separate line in the consolidated statement of financial position.

## Note 2, continued

After initial recognition, the lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the associated right of use) if:

- the term of the lease has changed. In such cases, the lease liability is remeasured by discounting the amended lease payments at an amended discount rate;
- the lease payments change as a result of changes in an index or rate. In such cases, the lease liability is remeasured by discounting the amended lease payments at the initial discount rate (unless the changes in lease payments are due to a change in variable interest rates, when a change in discount rates is used instead), or
- a lease is amended and the amendment is not recognised as a separate lease. In these cases, the lease liability is remeasured by discounting the amended lease payments at an amended discount rate.

At the time of acquisition, the rights of use are recognised at the value of the corresponding lease liability, lease payments made at or before the start date and any initial direct expenses. In subsequent periods, they are measured at cost less accumulated amortisation and impairment losses.

Amortisation of rights of use is applied over the estimated useful life or over the agreed lease term, whichever is shorter.

Rights-of-use assets are presented on a separate line in the consolidated statement of financial position. The Group applies IAS 36 Impairment Losses to determine whether there is any impairment of the right of use and in the same way as described in the principles for property, plant and equipment.

Variable lease payments that are not linked to an index or rate are not included in the measurement of the lease liability and the right of use. Such lease payments are recognised as an expense in the period in which they are incurred, and are reported on the line Other external expenses in the consolidated income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components from lease components and instead to recognise each lease component and associated non-lease components as a single lease component. The Group has chosen to apply this to rental premises.

### Business combinations

Business combinations are recognised using the acquisition method. The consideration paid for the business combination is measured at fair value at the time of acquisition. This is calculated as the sum, at the time of acquisition, of the fair values of the assets paid, liabilities incurred or assumed and equity interests issued, in exchange for control of the acquired business. Acquisition-related expenses are recognised in the income statement when they arise.

The consideration paid also includes the fair value at the time of acquisition of the assets or liabilities resulting from an agreement on contingent purchase consideration. Changes in the fair value of a contingent purchase consideration arising from additional information obtained after the acquisition date concerning facts and circumstances that existed at the time of acquisition qualify as adjustments during the measurement period (within 12 months of the time of acquisition) and are adjusted retroactively, with a corresponding adjustment of goodwill. A contingent purchase consideration classified as equity is not remeasured, and subse-

quent settlement is recognised within equity. All other changes in the fair value of a contingent purchase consideration are recognised in profit or loss.

The identifiable assets acquired and liabilities assumed are recognised at fair value at the date of acquisition with the following exceptions:

- Any deferred tax assets or liabilities and liabilities or assets attributable to the acquired entity's employee benefit agreement are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee Benefits.
- Liabilities or equity instruments attributable to the acquired entity's share-based allocations or to the exchange of the acquired entity's share-based allocations for the acquirer's share-based allocations are measured at the acquisition date in accordance with IFRS 2 Share-based Payment.
- Assets (or disposal group) classified as held for sale under IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

In the case of business combinations where the sum of the consideration paid, any non-controlling interest, and fair value at the time of acquisition of previous shareholdings exceeds fair value at the date of acquisition of identifiable acquired net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, it is recognised as a gain on a low-price acquisition directly in income after a review of the difference.

### Goodwill

Goodwill arising in the preparation of consolidated financial statements is the difference between cost and the Group's share of the fair value of an acquired subsidiary's identifiable assets and liabilities at the date of acquisition. At the acquisition date, goodwill is recognised at cost, and after the initial recognition date it is measured at cost less any accumulated impairment losses. When testing any need for impairment, goodwill is allocated to the smallest cash-generating units that are expected to benefit from the acquisition. Any impairment loss is recognised immediately as an expense and is not reversed.

### Intangible assets

*Internally generated intangible assets – Capitalised product development expenditure*

Internally generated intangible assets arising from the Group's product development are recognised only if the following conditions are met:

- it is technically possible to complete the intangible asset and use or sell it;
- the entity's intention is to complete the intangible asset and to use or sell it;
- conditions apply to using or selling the intangible asset;
- the entity shows how the intangible asset will generate likely future economic benefits;
- adequate technical, economic and other resources are available to complete the development and to use or sell the intangible asset;
- expenditure attributable to the intangible asset during its development can be reliably calculated.

If it is not possible to recognise an internally generated intangible asset, development expenses are recognised as an expense in the period in which they are incurred.

*Acquisition as part of a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they meet the definition of an intangible asset and their fair values can be reliably calculated. The cost of such intangible assets is their fair value at the time of acquisition.

Note 14 describes the Group's amortisation methods and useful lives applied with regard to intangible assets.

**Property, plant and equipment**

The item property, plant and equipment is recognised at cost less accumulated depreciation and any impairment losses.

Cost consists of the purchase price and expenses that are directly attributable to the asset. All other costs of repairs, maintenance and additional are recognised in the income statement in the period in which they are incurred.

The carrying amount for a property, plant and equipment asset is derecognised from the balance sheet on retirement or disposal, or when no future economic benefits are expected from the use or retirement/disposal of the asset. Any gain or loss arising from the retirement or disposal of the asset, consisting of the difference between any net revenue from the disposal and its carrying amount, is recognised in profit or loss in the period when the asset is derecognised from the balance sheet.

Note 15 describes the depreciation methods and useful lives that the Group applies to property, plant and equipment.

**Impairment losses on property, plant and equipment and intangible assets**

At each balance sheet date, the Group analyses the carrying amounts for property, plant and equipment and intangible assets to determine whether there is any indication that such assets have decreased in value. If this is the case, the recoverable amount of the asset is calculated in order to determine the amount of any impairment loss. Where it is not possible to calculate the recoverable amount of an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indeterminable useful lives and intangible assets not yet ready for use are tested annually for any impairment loss, or when there is an indication of impairment. The recoverable amount is fair value less selling expenses or value in use, whichever is the higher. When calculating value in use, the estimated future cash flow is discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset (or cash-generating unit) is determined as a value lower than the carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to the recoverable amount. Any impairment loss is recognised immediately in the income statement. When an impairment loss is then reversed, the carrying amount of the asset (the cash-generating unit) increases to the remeasured recoverable amount, but the increased carrying amount must not exceed the carrying amount that would have been determined if no impairment loss had been made on the asset (the cash-generating unit) in previous years. Any reversal of an impairment loss is recognised directly in profit or loss. Impairment losses on goodwill or other intangible assets with indeterminable useful lives are not reversed.

**Borrowing costs**

Borrowing costs directly attributable to the purchase, construction

or production of a qualifying asset, which is an asset that necessarily takes a significant amount of time to complete for the intended use or sale, form part of the cost of the asset, until the asset is for the most part ready for its intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they were incurred. TagMaster does not have any qualifying assets, hence all borrowing costs have been expensed.

**Inventories**

Inventories are valued at cost or net realisable value, whichever is the lower. Cost consists of direct product costs, direct wages/salaries and attributable indirect production costs (based on normal production capacity). Weighted average prices have been used in determining the cost. Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to achieve a sale.

**Trade receivables**

Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less any provision for impairment. For further information regarding the Group's accounting policies on trade receivables, see Note 20.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows include cash, bank balances and other short-term investments. Other short-term investments are classified as cash and cash equivalents when they mature within three months of the date of acquisition, can easily be converted into cash at a known amount and are exposed to an insignificant risk of fluctuations in value.

**Provisions**

Provisions are recognised when the Group has an existing obligation (legal or constructive) as a result of a past event, it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount allocated is the best estimate of the amount required to settle the existing obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the payments expected to be required to settle the obligation, the recognised carrying amount is calculated as the present value of those payments.

**Employee benefits**

Employee benefits in the form of salaries, bonuses, paid leave, paid sick leave etc. and pensions are recognised as they are earned. With regard to pensions and other post-employment benefits, these are classified as defined-contribution or defined-benefit pension plans. The Group operates defined-contribution and defined-benefit pension plans.

*Defined-contribution plans*

In the case of defined-contribution plans, the Group pays defined contributions to a separate independent legal entity and has no obligation to pay additional fees. Expenses are charged against the Group's profit as the benefits are vested, which normally coincides with the time when premiums are paid.

*Defined-benefit plans*

The liability or asset recognised in the balance sheet for defi-

Note 2, continued

ned-benefit pension plans is the present value of the defined-benefit obligation at the end of the reporting period. The defined-benefit pension obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined-benefit obligation is determined by discounting estimated future cash flows at the interest rate for high-grade corporate bonds issued in the same currency in which the benefits will be paid with maturities comparable to that of the pension obligation in question. This expense is included in personnel costs in the income statement.

Re-measurement gains and losses resulting from experience based adjustments and changes in actuarial assumptions are recognised in other comprehensive income during the period in which they arise. They are included in the retained earnings in the statement of changes in equity and on the balance sheet. Expenses relating to service in previous periods are recognised directly in the income statement.

For further information regarding the Group's pensions, see Note 25.

#### Government grants

Government grants are recognised in the statement of financial position when there is reasonable certainty that the Group will satisfy the conditions associated with the grant and that the grant will be received. The grants are recognised as Other income when they are intended to cover costs. For further information regarding government grants, see Note 9.

#### Government loans

Government loans that may be provided if certain conditions are satisfied are recognised as Other income when these conditions are satisfied and it is considered reasonably certain that the loans will be provided. For further information, see Note 28.

#### Financial instruments

The accounting policies applying specifically to the Group's financial instruments are described in Note 29.

## Note 3 • Key sources of uncertainty in estimates

The key assumptions about the future and other important sources of uncertainty in estimates at the balance sheet date that involve a significant risk of material adjustments in carrying amounts for assets and liabilities during the following financial year are presented below.

#### Impairment testing of goodwill

Every year, the Group determines whether there is any impairment of goodwill. The recoverable amount for the cash-generating units to which goodwill has been allocated is determined on the basis of the calculation of value in use. Calculating value in use requires management to make estimates as to important assumptions such as future revenue, profit margins, investment levels and discount rate. The calculations are based on cash flow forecasts based in turn on budgets and forecasts for the next five years. The profit margin and the level of investment used are consistent with the historical levels of that entity. The growth rate used is consistent with industry forecasts for the cash-generating unit. The assumptions are produced by Management and reviewed by the Board of Directors. For sensitivity analyses, see Note 14.

#### Acquisition of businesses (business combinations)

The measurement of identifiable assets and liabilities in connection with the acquisition of businesses includes both items on the balance sheet of the acquired company and items that have not been recognised on the balance sheet of the acquired company, such as intangible assets, of various types measured at fair value. The first step must be to identify which intangible fixed assets may have a value, such as customer relationships, trademarks and advanced technology.

Quoted prices are not normally available for the assets and liabilities to be measured, so different measurement techniques have to be applied. These measurement techniques are based on a number of different assumptions such as future cash flows, growth rate for revenue items, gross and EBITDA margins, tax rates and discount factors. Measurements of this kind include a large number of assessments, all of which must be carefully reviewed, calculated and analysed. This also means that a preliminary measurement

may need to be performed and then adjusted. All acquisition costings are subject to final adjustment no later than one year after the acquisition date.

#### Measurement of loss carry-forwards

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent that they are likely to be used. Material assessments are required to estimate future tax surpluses and when these will occur. The measurement of loss carry-forwards and the Group's ability to use loss carry-forwards are based on management's estimates of future taxable income in the subsidiaries. At 31 December 2022, the Group had loss carry-forwards totalling approximately SEK 458 million (424), of which SEK 235 million (80.0) was taken into account in calculation of the deferred tax asset.

#### Provisions for post-employment benefits

Because provisions for post-employment benefits concern obligations that will be settled in the future, assumptions must be made in order to calculate such obligations. The calculations are performed by actuaries. These calculations are based on assumptions as to economic variables, such as discount rate, salary increases and inflation, as well as demographic variables such as life expectancy. As a result, the assumptions are subject to critical estimates and assessments. On the balance sheet date, Provisions for post-employment benefits totalled SEK 5.4 million (9.4). For further information, see Note 25.

#### Important assessments in application of the Group's accounting policies

The following sections describe the key assessments, other than those that include estimates (see above) that have been made by management in application of the Group's accounting policies and that have the most significant effect on the carrying amounts in the financial statements.

#### *Intangible assets – capitalisation of development expenditure*

The Group engages in development activities. Any intangible asset

Note 3, continued

arising from development is recognised as an asset in the balance sheet only if all the conditions set out in IAS 38 are met. In each development project, the Group's Product Strategy Board (PSB), which includes the Group's CEO, CTO and Sales Director, decides on an ongoing basis as to whether the conditions exist for selling the finished product and whether the technical competence and financial resources exist to complete the project.

Based on the positions adopted by PSB, Group Management makes a judgement as to whether the necessary technological knowledge and financial strength exist to turn the capitalised intangible assets into marketable products. The market for future products is anticipated to be the same as currently for the Group's products.

## Note 4 • Financial risks and risk management

Financial risks may primarily be divided into the following categories: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

### Market risks

#### Currency risk

Currency risk is the risk of the Group's financial performance and equity being adversely affected by changes in exchange rates. The Group is exposed to two types of currency risk: transaction exposure and translation exposure.

Transaction exposure concerns currency risk attributable to the Group's payment flows in foreign currency. Approximately 95 per cent (91) of the Group's sales in 2022 were transacted in a currency other than SEK. Of total external purchases (goods for resale and other external costs), approximately 68 per cent (76) were transacted in a foreign currency. Price clauses are included in sales agreements to reduce the risk of adverse effect on the Group's financial performance and position due to currency fluctuations. To the same end, every effort is made to achieve a balance between the selling currency and buying currency.

The biggest single currency risk in terms of income is associated with the USD loan raised for the acquisition of Sensys Networks Inc. If on the balance sheet date, the Swedish krona had weakened/strengthened by 10 per cent against the US dollar, all other variables being constant, recalculation of the loan would have had an impact of increasing/decreasing pre-tax income for the year by an amount of SEK 1,983 thousand (2,804 thousand).

Translation exposure is the risk to which the Group is exposed on translation of the income statements and balance sheets of the foreign subsidiaries into the Group's presentation currency (SEK).

Fluctuations in exchange rates therefore have an impact on the Group's income when the income statements of these subsidiaries are translated to Swedish kronor.

In the event of a change of 10 percent in the currency during the year, all other variables being constant, recalculation of the income statements of the subsidiaries would have the following impact on the Group's income on an annualised basis:

Currency	+/-10%	
	2022	2021
EUR	1,633	652
GBP	1,124	329
USD	2,798	287

Income in 2022 for the companies translated from EUR to SEK was negative in the financial year, indicating that strengthening of the currency would have negative impact on the Group's income.

To manage this risk with regard to the subsidiary Sensys Networks, the loan that partially financed the acquisition was

raised in USD. Hedge accounting was not used, and so translation differences attributable to the acquisition loan are recognised within the Group's net financial items.

#### Interest rate risk

The Group's interest rate risk is primarily associated with interest-bearing liabilities. On the balance sheet date, interest-bearing liabilities linked to acquisition loans totalled SEK 38,246 thousand (52,358). The interest rate on the portion of the loan raised in USD is LIBOR plus a margin of between 2.15 and 3.15 percentage points, based on the metric Net debt divided by consolidated EBITDA (operating profit excluding depreciation and amortisation). In order to manage the interest rate risk, the LIBOR used has been hedged at 1.65 per cent with an interest rate swap. The hedged amount is 80 per cent of the original liability of USD 5.7 million. The interest rate for the part of the loan raised in SEK as part of the financing for the acquisition of Citilog S.A.S. is STIBOR plus a margin of between 2.0 and 3.0 percentage points, based on the metric Net debt divided by consolidated EBITDA (operating profit excluding depreciation and amortisation).

### Credit risk

Historically, the Group's credit losses have been low. However, customers are served in several countries with differing payment cultures. This has led to longer terms of payment and thus higher credit risk. Procedures are in place to check and monitor the financial situation of new and existing customers in order to manage the risk of bad debt. Customer credit insurance covers most customers, and if the credit rating is not considered sufficiently high, payment in advance is required before delivery. For further information, including age analysis of outstanding trade receivables, see Note 20.

#### Concentration risk

Concentration risk refers to the vulnerability inherent in the concentration of exposures to a limited number of customers, partners, industries, sectors or geographical areas.

As the Group has a number of customers that represent a significant proportion of the Group's net sales, concentration risk applies. However, the Group's growth both organically and through acquisitions has created opportunities to compensate for any losses through new and existing partners. The Group therefore considers that the concentration risk associated with these key customers is limited. Trade receivables are not concentrated within a specific geographical area.

### Liquidity risk

The Group is always striving to improve its liquidity and has overdraft facilities in place to offset liquidity risk. At 31 December 2022, available liquidity was SEK 67,740 thousand (92,107), of which bank overdraft facilities totalled SEK 31,517 thousand (38,587). The acquisition loan is subject to financial commitments – covenants

Note 4, continued

– which the Group is obliged to meet on a quarterly basis. The covenants by which TagMaster is measured are:

- Equity ratio
- Net debt in relation to consolidated EBITDA (rolling 12 months)

TagMaster comfortably fulfilled these key performance indicators at year-end 2022.

The liquidity available is deemed sufficient to meet the Group's currently known future commitments. Further capital injections may, however, be necessary if we are to achieve the Group's

growth ambitions through acquisitions. The table below illustrates the Group's financial liabilities, classified by relevant maturities on the basis of the remaining time to maturity on the balance sheet date, until the contractual date of maturity. The amounts are undiscounted and include interest payments. Variable interest flows with future interest-rate setting days are based on interest rates and margins prevailing at year-end. Cash flows in foreign currency are translated to Swedish kronor at the rates on the balance sheet date.

31 December 2022	Maturity date			Total
	Within 3 mths	Between 3 mths and 1 year	Between 2 and 5 years	
Liabilities to credit institutions	5,078	14,915	20,720	40,713
Other non-current liabilities	–	–	3,261	3,261
Trade payables and other liabilities	35,000	1,970	–	36,970
<b>Total</b>	<b>40,078</b>	<b>16,885</b>	<b>23,981</b>	<b>80,944</b>

31 December 2021	Maturity date			Total
	Within 3 mths	Between 3 mths and 1 year	Between 2 and 5 years	
Liabilities to credit institutions	4,580	13,558	37,171	55,309
Other non-current liabilities	–	–	5,048	5,048
Trade payables and other liabilities	24,468	5,108	–	29,576
<b>Total</b>	<b>29,048</b>	<b>18,666</b>	<b>42,219</b>	<b>89,933</b>

For more information on classification of the effects of financial assets and liabilities on income, see Note 10.

## Note 5 • Segment reporting

An operating segment is part of an entity that conducts business activities from which it can receive revenue and incur costs, the operating results of which are regularly reviewed by the entity's highest executive decision-maker, and for which independent financial information is available. The Company's reporting of operating segments is consistent with internal reporting to the highest executive decision-maker. The highest executive decision-maker is the function that assesses the operating segments' performance and decides on the allocation of resources. At TagMaster, the CEO is the highest executive decision-maker.

The Group's operations consist mainly of developing and supplying hardware and software based on advanced sensor technology in RFID (Radio Frequency Identification) Radar, ANPR (Automatic Number Plate Recognition) and Wireless Magnetic (Wireless Magnetic Sensor Systems). Internal follow-up of operations is performed per country by the Group's highest executive decision maker. Each country is therefore an operating segment. However, in the different countries similar products are sold through similar sales channels to similar customers. Several countries have similar economic characteristics. For the European units, development activities and marketing and sales organisations are integrated. Against this background, the European countries can be merged in segment reporting according to IFRS 8. Consequently, the Group's reportable segments are TagMaster Europe and TagMaster USA.

The effects of recognition of leases under IFRS 16 and capitalisation of development expenditure in accordance with IAS 38 are not allocated to the segments in internal accounting. In the table

below, these items are shown in the Central column. In the 2021 financial year, the item Central also includes transaction costs of SEK 0.4 million relating to the acquisition of Citilog S.A.S. Inc. Otherwise, the results for the segments are recognised according to the same accounting policies as for the Group.

Gross profit margins, EBITDA and EBITDA adjusted for items affecting comparability ("Adjusted EBITDA"), are the performance metrics that are reported to the highest executive decision-maker and that form the basis for allocating resources and evaluating performance in the Group.

Financial income, financial expenses and income tax are managed at Group level.

The difference between the total of the segments' EBITDA and the Group's operating income is attributable to amortisation and depreciation of intangible assets and property, plant and equipment totalling SEK 30.3 million (24.5).

The difference between the total of the segments' operating income and the Group's profit before tax is attributable to financial income of SEK 2.3 million (3.0) and financial expenses of SEK 7.0 million (5.8).

Working capital is defined as the total of inventories, trade receivables and other receivables, less trade payables and other payables.

Cross-segment transactions are performed on standard commercial terms and intra-Group profits are eliminated.

No individual customer represents more than 10 per cent of net sales.

Note 5, continued

2022	TagMaster Europe	TagMaster USA	Central	Eliminations	Total Group
<b>Revenue</b>					
External revenue	200,347	158,256	–	–	358,603
Cross-segment transactions	1,542	8,869	–	-10,411	0
	<b>201,889</b>	<b>167,125</b>	<b>–</b>	<b>-10,411</b>	<b>358,603</b>
<b>Gross profit</b>	<b>136,794</b>	<b>107,968</b>	<b>–</b>	<b>–</b>	<b>244,761</b>
<b>Adjusted EBITDA</b>	<b>-1,040</b>	<b>20,998</b>	<b>7,012</b>	<b>–</b>	<b>26,970</b>
Items affecting comparability	-3,806	–	–	–	-3,806
<b>EBITDA</b>	<b>-4,846</b>	<b>20,998</b>	<b>7,012</b>	<b>–</b>	<b>23,164</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	-13,310	-16,959	–	–	-30,269
<b>Operating profit/loss</b>	<b>-18,156</b>	<b>4,039</b>	<b>7,012</b>	<b>–</b>	<b>-7,105</b>
Working capital <sup>1</sup>	30,960	33,826	348	–	65,134
Investments in property, plant and equipment	629	747	–	–	1,376
<b>Other segment information</b>					
Gross margin, %	68.3	68.2	–	–	68.3
Adjusted EBITDA margin, %	-0.5	13.3	–	–	7.5
EBITDA margin, %	-2.4	13.3	–	–	6.5
<i>Items affecting comparability:</i>					
Restructuring costs	-3,806	–	–	–	-3,806
Number of employees at year-end	82	38	–	–	120

2021	TagMaster Europe	TagMaster USA	Central	Eliminations	Total Group
<b>Revenue</b>					
External revenue	203,535	123,350	–	–	326,886
	<b>203,535</b>	<b>123,350</b>	<b>–</b>	<b>–</b>	<b>326,886</b>
<b>Gross profit</b>	<b>137,957</b>	<b>85,575</b>	<b>–</b>	<b>–</b>	<b>223,532</b>
<b>Adjusted EBITDA</b>	<b>14,194</b>	<b>14,568</b>	<b>5,196</b>	<b>–</b>	<b>33,959</b>
Items affecting comparability	-2,078	2,689	-462	–	150
<b>EBITDA</b>	<b>12,116</b>	<b>17,257</b>	<b>4,734</b>	<b>–</b>	<b>34,109</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	-11,142	-13,396	–	–	-24,538
<b>Operating profit/loss</b>	<b>974</b>	<b>3,861</b>	<b>4,734</b>	<b>–</b>	<b>9,571</b>
Working capital <sup>1</sup>	29,998	15,492	3,162	–	48,652
Investments in property, plant and equipment	699	566	–	–	1,265
<b>Other segment information</b>					
Gross profit margin, %	67.8	69.4	–	–	68.4
Adjusted EBITDA margin, %	7.0	11.8	–	–	10.4
EBITDA margin, %	6.0	14.0	–	–	10.4
<i>Items affecting comparability:</i>					
Restructuring costs	-2,078	–	–	–	-2,078
Acquisition-related expenses	–	–	-462	–	-462
Forgiven loan	–	6,891	–	–	6,891
Covid-related quality problems at sub-contractor	–	-4,202	–	–	-4,202
Number of employees at year-end	99	38	–	–	137

<sup>1</sup> Items with adjustments at Central level are contractual liabilities and pension provisions.

Note 5, continued

**Geographical information**

The Group operates primarily in Sweden, the United Kingdom, France and the United States. Information on revenue from external customers is based on where our Group companies are located.

	Revenue from external customers		Non-current assets	
	2022	2021	2022	2021
Sweden	80,310	79,730	3,032	5,306
United Kingdom	34,558	37,696	27,596	28,785
France	85,479	86,110	54,720	58,091
United States	158,256	123,350	100,452	98,632
<b>Group</b>	<b>358,603</b>	<b>326,886</b>	<b>185,800</b>	<b>190,814</b>

**Note 6 • Revenue from contracts with customers**

Revenue is recognised at an amount that reflects expected remuneration and remuneration to which the entity is entitled for the transfer of goods and services to customers. TagMaster recognises revenue when the Group transfers control of a product or service to a customer.

Under the terms of a very limited number of the Group's contracts, the customer has a right of return. In such cases, the transaction price thus includes what IFRS 15 refers to as variable remuneration. Variable remuneration shall be recognised only to such an extent that it is highly likely that a material part of the revenue will not need to be reversed in the future. Since, on the basis of historical data, it is not considered likely that a material portion of the revenue resulting from sales to customers with a right of return will need to be reversed, no liability for returns is recognised.

TagMaster mainly sells hardware and software accompanied by related services such as customisation and technical support to customers. It happens that contracts with customers inclu-

de several different products and services, while software and technical support in other contracts are sold separately. Where the contracts contain several performance obligations, the transaction price is allocated to each separate performance obligation, based on their individual sales price.

If recognised revenue exceeds the payment for a performance obligation, a contractual asset is recognised, and if the payment exceeds recognised income from a performance obligation, a contractual liability is recognised. TagMaster normally has 30–60 days as payment terms on invoices issued.

In all material respects, the Group does not expect to have any contracts where the time between the handover of the goods or services to the customer and the payment from the customer exceeds one year. As a result, the Group does not adjust the transaction price for the effects of a significant financing component.

A description of the Group's performance obligations follows below.

Breakdown of revenue from contracts with customers	1 January 2022 – 31 December 2022			1 January 2021 – 31 December 2021		
	TagMaster Europe	TagMaster USA	Total Group	TagMaster Europe	TagMaster USA	Total Group
<b>Geographical region<sup>1</sup></b>						
Sweden	3,068	–	3,068	3,129	–	3,129
EMEA	133,240	54,146	187,385	129,103	49,069	178,172
Asia Pacific	26,853	9,163	36,016	42,535	4,625	47,160
Americas	37,187	94,948	132,135	28,768	69,656	98,424
<b>Total</b>	<b>200,347</b>	<b>158,256</b>	<b>358,603</b>	<b>203,535</b>	<b>123,350</b>	<b>326,886</b>
<b>Customer category</b>						
Traffic Solutions	147,997	158,256	306,253	135,854	123,350	259,204
Rail Solutions	52,350	–	52,350	67,681	–	67,681
<b>Total</b>	<b>200,347</b>	<b>158,256</b>	<b>358,603</b>	<b>203,535</b>	<b>123,350</b>	<b>326,886</b>
<b>Time of revenue recognition</b>						
At a particular time	187,909	152,333	340,242	193,988	120,072	314,060
Over time	12,438	5,923	18,361	9,547	3,278	12,825
<b>Total</b>	<b>200,347</b>	<b>158,256</b>	<b>358,603</b>	<b>203,535</b>	<b>123,350</b>	<b>326,886</b>

1) Geographical region where the customer is based.

Note 6, continued

**Hardware and pre-installed software**

TagMaster sells hardware based on advanced sensor technology in RFID (Radio Frequency Identification) Radar, ANPR (Automatic Number Plate Recognition) and Wireless Magnetic (wireless magnetic sensor systems). Hardware is sold together with pre-installed software. The hardware is not considered functional without the pre-installed software. Hardware and pre-installed software (the package) are therefore considered together to form a separate performance obligation. The customer can use the software as of the point when the hardware is delivered to the customer. Revenue from the sale of hardware and software is recognised at the time when control of the goods is transferred to the customer, which normally occurs when the risk has been transferred to the customer, based on the shipping terms applied. Over time, minor software updates may become available. Since these are not considered to be critical to the product's function, the assessment of the time at which the control of hardware and software has been transferred to the customer is not affected.

Payment from the customer is normally received in arrears, and TagMaster therefore recognises a contractual asset from the sale of hardware with pre-installed software. Any hardware customisations are not considered to be a separate identifiable performance obligation. The revenue is thus recognised at the time when control of the product is transferred to the customer.

Sales of hardware also include a standard warranty where TagMaster guarantees that the hardware sold will function in accordance with the specification agreed. The Group therefore recognises warranties in accordance with IAS 37, see section on "Provisions" in Note 1 for policies applied and Note 26 for further information.

**Software**

TagMaster sells cloud-based management software. The software is sold to customers separately from other goods and services, and although minor software updates become available over time they are not considered critical for the software's function. Sale of software is therefore regarded as a separate performance obligation, where revenue from sale of software is recognised at the time when control is transferred to the customer, which is normally when TagMaster makes the software available to the customer. Payment from the customer is normally received in arrears, and TagMaster therefore recognises a contractual asset as of the sale of software.

**Technical support**

Technical support is provided online or over the phone when and where needed during the contract period. The use of technical support does not vary significantly between different months, and the customer pays the same amount regardless of the number of times the service is used. Revenue from technical support is recognised on a straight-line basis over the contract period, usually two years. Payment from the customer is received in advance, and TagMaster therefore normally recognises a contractual liability from the sale of technical support.

**Breakdown of revenue from contracts with customers****Contract balances**

Group	31/12/2022	31/12/2021
Trade receivables	75,201	62,738
Advance payments from customers	-3,318	-3,865
Contract liabilities	-14,120	-10,245
Contract assets	–	1,012

Contract liabilities consist of prepaid income for technical support and installation services.

**Transaction price allocated to outstanding performance obligations**

Group	31/12/2022	31/12/2021
Less than one year from balance sheet date	12,602	7,797
More than one year but less than five years from balance sheet date	1,518	6,313
More than five years from balance sheet date	0	0

**Change in contract liabilities for the year**

Group	31/12/2022	31/12/2021
Opening balance	10,245	7,803
Taken over at acquisition	–	739
Added during the year	22,142	13,667
Recognised as revenue during the year	-18,361	-12,825
Translation difference for the year	94	861
Closing balance	14,120	10,245

**Note 7 • Remuneration to auditors****Fees and expenses**

	2022	2021
<b>Mazars</b>		
Audit assignment	1,833	1,616
Tax advisory services	50	47
Other services	50	47
	<b>1,933</b>	<b>1,710</b>
<b>Frank, Rimerman + Co. LLP</b>		
Audit assignment	1,063	910
Other services	456	446
	<b>1,519</b>	<b>1,356</b>
<b>Total</b>	<b>3,452</b>	<b>3,066</b>

"Audit assignment" consists of statutory auditing of the annual accounts, consolidated accounts and accounting records, as well as of the administration by the board of Directors and the CEO.

## Note 8 • Employees, personnel expenses and fees to Board members

	2022		2021	
	Number of employees	Of whom, men	Number of employees	Of whom, men
<b>Average number of employees</b>				
<b>Parent Company</b>				
Sweden	16	11	17	13
<b>Subsidiaries</b>				
United Kingdom	16	14	16	14
France	58	46	74	58
United States	37	33	38	34
<b>Total, subsidiaries</b>	<b>111</b>	<b>93</b>	<b>128</b>	<b>106</b>
<b>Total, Group</b>	<b>127</b>	<b>104</b>	<b>145</b>	<b>119</b>

	2022		2021	
	Women	Men	Women	Men
<b>Gender distribution, senior executives</b>				
Board of Directors	1	3	1	4
CEO and other Company management	2	6	2	7

Breakdown of salaries and other remuneration per senior executives and other employees SEK thousands	Board, CEO and other senior executives		Other		Total	
	2022	2021	2022	2021	2022	2021
Parent Company	10,693	9,721	6,165	7,001	16,858	16,722
Subsidiaries	8,123	6,520	104,552	95,920	112,675	102,440
<b>Total, Group</b>	<b>18,816</b>	<b>16,241</b>	<b>110,717</b>	<b>102,921</b>	<b>129,533</b>	<b>119,162</b>

	Salaries and other remuneration		Social security contributions		(of which, pension expenses)	
	2022	2021	2022	2021	2022	2021
Parent Company	16,858	16,722	9,706	9,688	3,488	3,331
Subsidiaries	112,675	102,440	28,984	27,740	4,333	4,008
<b>Total, Group</b>	<b>129,533</b>	<b>119,162</b>	<b>38,690</b>	<b>37,428</b>	<b>7,821</b>	<b>7,339</b>

Remuneration to the Board, CEO and other senior executives SEK thousands	2022				2021			
	Fee/salary	Variable remuneration	Pension expense	Other	Fee/salary	Variable remuneration	Pension expense	Other
Bernt Ingman, Chairman	280	–	–	–	250	–	–	–
Liselott Lading, Board member	140	–	–	–	–	–	–	–
Gert Sviberg, Board member	140	–	–	–	125	–	–	–
Juan Vallejo, Board member	140	–	–	–	125	–	–	–
Rolf Nordberg, Board member	–	–	–	–	125	–	–	–
Margareta Hagman, Board member	–	–	–	–	125	–	–	–
CEO, Jonas Svensson	2,875	500	669	–	2,737	800	645	–
Other senior executives (8)	12,971	172	1,675	925	11,244	710	1,292	–
<b>Total</b>	<b>16,546</b>	<b>672</b>	<b>2,344</b>	<b>925</b>	<b>14,731</b>	<b>1,510</b>	<b>1,937</b>	<b>–</b>

The CEO has a notice period of six months in the event of voluntary resignation. Should employment be terminated by the Company, a notice period of 12 months applies.

## Note 9 • Other income and operating expenses

	2022	2021
<b>Other revenue</b>		
Exchange rate differences	1,874	656
Grants	346	301
Forgiven government loan	–	6,891
Other	1,312	1,534
<b>Total</b>	<b>3,532</b>	<b>9,382</b>
<b>Other operating expenses</b>		
Exchange rate differences	-85	-178
Other	-1,373	-1,283
<b>Total</b>	<b>-1,458</b>	<b>-1,461</b>

Grant of SEK 346 thousand (301) refers to the EU grant for the Frontier Project in which TagMaster AB is involved, together with Sensys Networks and Citilog S.A.S.

In 2021, the government support loan that the American subsidiary took up from the American government was forgiven.

## Note 10 • Net financial income and expenses

	2022	2021
<b>Financial income</b>		
Exchange gain on additional purchase consideration	–	12
Exchange rate gains on current receivables from subsidiaries	1,602	2,403
Revaluation of interest rate swaps to fair value	673	485
Other interest income	2	69
<b>Total</b>	<b>2,277</b>	<b>2,969</b>
<b>Financial expenses</b>		
Interest expenses	-2,366	-2,072
Exchange rate losses on liabilities to credit institutions	-3,655	-3,040
Interest expenses, lease liabilities	-271	-290
Net interest, pensions	-64	-51
Other financial expenses	-633	-339
<b>Total</b>	<b>-6,989</b>	<b>-5,792</b>

With the exception of the revaluation of interest rate swaps, all interest income and interest expenses are attributable items that are measured at amortised cost.

## Note 11 • Tax expense for the year

	2022	2021
Current tax	199	-835
Deferred tax	35,772	-54
<b>Total</b>	<b>35,971</b>	<b>-889</b>
<b>Theoretical tax</b>		
Pre-tax profit recognised	-11,817	6,747
Tax at current rate, 20.6% (20.6)	2,434	-1,390
<b>Reconciliation of tax recognised</b>		
Effect of overseas tax rate	502	-52
Tax effect of non-deductible expenses	-361	-126
Effect of non-taxable revenue	0	0
Effect of other adjustments to profit on consolidation	5	47
Effect of tax loss carry-forwards not assigned a value	-7,548	-4,890
Effect of previously utilised loss carry-forwards not assigned a value	9,282	4,557
Effect of previous year's tax loss carry-forwards assigned a value	30,721	670
Effect of change in tax rate	0	-375
Other*	936	670
<b>Total</b>	<b>35,971</b>	<b>-889</b>

\*Tax revenue of SEK 936 thousand (670), in accordance with tax rules in the UK and France, based on development expenditure incurred. In 2022, tax assets relating to tax loss carry-forwards attributable to the subsidiaries TagMaster UK and Sensys Networks Inc. totalling SEK 12.5 million and SEK 18.2 million, respectively, were capitalised. For further information regarding measurement of tax loss carry-forwards, see Note 3.

## Note 12 • Items affecting comparability

	2022	2021	Recognised in income state- ment as:
Expenses attributable to TagMaster Europe efficiency programme	3,647	–	Personnel expenses
Expenses attributable to TagMaster Europe efficiency programme	159	–	Other external expenses
Restructuring expenses attributable to acquisitions	–	1,166	Personnel expenses
Restructuring expenses attributable to acquisitions	–	911	Other external expenses
Forgiven state aid loan	–	-6,891	Other revenue
Covid-related quality problems at sub-contractor	–	4,202	Goods for resale, raw materials and consumables
Acquisition-related expenses	–	462	Other external expenses
<b>Total</b>	<b>3,806</b>	<b>-150</b>	

Acquisition-related costs and restructuring costs attributable to acquisitions in the financial year 2021 refer to the acquisition of Citilog S.A.S.

## Note 13 • Earnings per share

	2022	2021
<b>Earnings per share, basic and diluted</b>		
Carrying amount attributable to shareholders in the Parent Company, SEK th.	24,154	5,858
Gain/loss from calculation of earnings per share, SEK th.	24,154	5,858
Average number of shares outstanding, basic and diluted, thousands <sup>1</sup>	14,648	14,648
<b>Earnings per share, basic and diluted, SEK</b>	<b>1.65</b>	<b>0.40</b>

1) Earnings per share are the same, basic and diluted, as there are no financial instruments outstanding that may result in dilution.

## Note 14 • Intangible non-current assets

	Goodwill	Goodwill associated with assets and liabilities	Capitalised development expenditure	Customer relationships	Trademarks	Total Group
<b>At 1 January 2021</b>						
Cost	76,506	8,913	57,626	49,132	5,732	197,909
Accumulated amortisation	–	–	-28,351	-11,124	–	-39,475
<b>Carrying amount</b>	<b>76,506</b>	<b>8,913</b>	<b>29,275</b>	<b>38,008</b>	<b>5,732</b>	<b>158,434</b>
<b>1 January – 31 December 2021</b>						
Carrying amount, opening balance	76,506	8,913	29,275	38,008	5,732	158,434
Business combinations	6,809	–	12,918	3,037	–	22,764
Amortisation for the year	–	–	-10,427	-7,769	–	-18,196
Translation difference for the year	6,503	168	2,306	3,600	599	13,176
<b>Carrying amount</b>	<b>89,818</b>	<b>9,081</b>	<b>34,072</b>	<b>36,876</b>	<b>6,331</b>	<b>176,178</b>
<b>At 31 December 2021</b>						
Cost	89,818	9,081	75,016	57,330	6,331	237,576
Accumulated amortisation	–	–	-40,944	-20,454	–	-61,398
<b>Carrying amount</b>	<b>89,818</b>	<b>9,081</b>	<b>34,072</b>	<b>36,876</b>	<b>6,331</b>	<b>176,178</b>
<b>1 January – 31 December 2022</b>						
Carrying amount, opening balance	89,818	9,081	34,072	36,876	6,331	176,178
Amortisation for the year	–	–	-12,367	-9,325	–	-21,692
Translation difference for the year	9,468	800	3,168	5,208	976	19,620
<b>Carrying amount</b>	<b>99,286</b>	<b>9,881</b>	<b>24,873</b>	<b>32,759</b>	<b>7,307</b>	<b>174,106</b>
<b>At 31 December 2022</b>						
Cost	99,286	9,881	78,184	65,961	7,307	260,619
Accumulated amortisation	–	–	-53,311	-33,202	–	-86,513
<b>Carrying amount</b>	<b>99,286</b>	<b>9,881</b>	<b>24,873</b>	<b>32,759</b>	<b>7,307</b>	<b>174,106</b>

Note 14, continued

**Amortisation methods and useful lives****Goodwill**

Goodwill is an asset with an indeterminable useful life and is recognised at fair value at the time of acquisition and subsequently at cost less any accumulated impairment losses.

**Capitalised development expenditure – internally generated**

Development of new technology platforms is capitalised on an ongoing basis over the development period. Applications based on existing technology platforms, such as RFID, radar, ANPR cameras and wireless magnetic, are treated as modifications of the core products. Modifications of technology platforms for various sensor applications are not capitalised.

After initial recognition, internally generated intangible assets are recognised at cost less accumulated depreciation and any accumulated impairment losses. Capitalised development expenditure is amortised on a straight-line basis over the useful life. The estimated useful life is 5 or 7 years. Estimated useful lives and amortisation methods are reviewed no less than at the end of each financial year, and the effect of any changes in assessments is reported prospectively.

Research expenditure is expensed in the period in which it is incurred.

Development costs in 2022 not meeting the Group's criteria for capitalisation totalled SEK 70,770 thousand (62,707), including personnel costs of SEK 64,037 thousand (54,450).

**Acquisition as part of a business combination**

After initial recognition, intangible assets acquired in a business combination are recognised at cost less accumulated amortisation and any accumulated impairment losses in the same way as for separately acquired intangible assets.

Acquired intangible assets are amortised on a straight-line basis over their estimated useful life.

Useful lives are determined as follows:

Customer relationships ..... 7 years  
Capitalised product development expenditure ..... 5–7 years

Trademarks are deemed to be an asset with an indeterminable useful life and are recognised at fair value at the time of acquisition and subsequently at cost less any accumulated impairment losses.

**Testing for impairment of goodwill and other intangible assets with an indeterminable useful life**

Goodwill and other intangible assets with an indeterminable useful life, acquired via business combinations, have been allocated to four cash-generating units (CGUs) as shown below. The cash-generating units are TagMaster's segments.

Impairment testing	31/12/2022	31/12/2021
Sweden	–	–
United Kingdom	23,708	22,949
France	36,056	33,137
USA <sup>1</sup>	56,715	49,144
	<b>116,479</b>	<b>105,230</b>

1) of which, acquired brand valued at SEK 7,307 thousand (6,331).

Goodwill and other intangible assets with an indeterminable useful life are tested for impairment every year, or more often if there is any indication of impairment. When testing for any impairment, the value of such assets is allocated to the smallest cash-generating units that are expected to benefit from the acquisition. Any impairment loss is recognised immediately as an expense and is not reversed.

Calculation of the recoverable amount is based on estimated future cash flows before tax, in turn based on budgets and forecasts approved by management. The cash flow forecasts are calculated using an assessment of an expected rate of growth and increase in the EBITDA margin, based on the budget for the following year and forecasts and expectations for the next four years.

Estimated values in use are most sensitive to changes in assumptions for rate of growth, gross margin, EBITDA margin and discount rate. The assumptions used are based on past experience and anticipated market trends. The cash flow forecasts for years 2–5 are based on an annual growth rate of 7 per cent. The growth rate does not exceed the long-term growth rate indicated by sector reports for the markets in which the particular cash-generating unit operates. No annual growth rate has been assumed for cash flows beyond the five-year period.

The discount rate used in calculation of the recoverable amount is 10 per cent. The required rate of return has been established against the background of the Group's present capital structure, and reflects the risks applying to the different operating segments. According to impairment tests performed, there was no impairment of goodwill or other intangible assets with an indeterminable useful life on 31 December 2022. Sensitivity analyses have been drawn up separately for each cash-generating unit. An increase of two percentage points in the discount rate, a decrease of two percentage points in the gross margin or a decrease of two percentage points in the assumed rate of growth, would not in any of these cases lead to any impairment of any of the cash-generating units at 31 December 2022.

## Note 15 • Property, plant, and equipment

	Land and buildings	Leasehold improve- ments	Equipment, tools, fixtures and fittings	Total Group
<b>At 1 January 2021</b>				
Cost	825	865	10,057	11,747
Accumulated amortisation	-825	-865	-7,638	-9,328
<b>Carrying amount</b>	<b>0</b>	<b>0</b>	<b>2,419</b>	<b>2,419</b>
<b>1 January – 31 December 2021</b>				
<b>Carrying amount, opening balance</b>	<b>0</b>	<b>0</b>	<b>2,419</b>	<b>2,419</b>
Purchases	–	–	1,265	1,265
Taken over at acquisition	–	–	618	618
Amortisation for the year	–	–	-1,362	-1,362
Translation difference for the year	–	0	91	91
<b>Carrying amount</b>	<b>0</b>	<b>0</b>	<b>3,031</b>	<b>3,031</b>
<b>At 31 December 2021</b>				
Cost	–	–	11,020	11,020
Accumulated amortisation	–	–	-7,989	-7,989
<b>Carrying amount</b>	<b>0</b>	<b>0</b>	<b>3,031</b>	<b>3,031</b>
<b>1 January – 31 December 2022</b>				
<b>Carrying amount, opening balance</b>	<b>0</b>	<b>0</b>	<b>3,031</b>	<b>3,031</b>
Purchases	–	–	1,376	1,376
Amortisation for the year	–	–	-1,658	-1,658
Translation difference for the year	–	–	289	289
<b>Carrying amount</b>	<b>0</b>	<b>0</b>	<b>3,038</b>	<b>3,038</b>
<b>At 31 December 2022</b>				
Cost	825	865	11,145	12,835
Accumulated amortisation	-825	-865	-8,107	-9,797
<b>Carrying amount</b>	<b>0</b>	<b>0</b>	<b>3,038</b>	<b>3,038</b>

Depreciation of property, plant and equipment is expensed so that the cost of the asset, where appropriate less estimated residual value at the end of its useful life, is written off on a straight-line basis over its estimated useful life. Depreciation begins when the property, plant and equipment can be placed in service. Useful lives are determined as follows:

Equipment .....5 years  
Leasehold improvements ..... Over the length of the contract

Estimated useful lives, residual values and depreciation methods are reviewed no less than at the end of each accounting period, and the effect of any changes in estimates is recognised prospectively.

## Note 16 • Leases

The Group's lease commitments consist principally of leases for its premises in Kista, Paris, Toulouse and Berkeley.

	31/12/2022	31/12/2021
Cost of acquisition, opening balance	21,472	11,278
Taken over at acquisition	–	8,640
New leases	3,416	–
Terminated leases	–	-2,181
Revaluation	176	3,397
Effect of present value calculation	–	-56
Translation difference for the year	1,066	394
<b>Cost, closing balance</b>	<b>26,130</b>	<b>21,472</b>
Amortisation, opening balance	-9,867	-6,619
Amortisation for the year	-6,919	-4,980
Terminated leases	–	2,009
Effect of present value calculation	–	-40
Translation difference for the year	-687	-237
<b>Accumulated amortisation, closing balance</b>	<b>-17,473</b>	<b>-9,867</b>
<b>Carrying amount</b>	<b>8,656</b>	<b>11,605</b>
Right-of-use assets:		
Office premises	8,656	11,605
<b>Total</b>	<b>8,656</b>	<b>11,605</b>

Shown below are the amounts recognised as lease liability, as well as the change in the liability for the year.

	31/12/2022	31/12/2021
Opening balance	11,900	4,768
New liabilities – new leases	3,416	0
Taken over at acquisition	–	8,640
Revaluations	28	3,320
Interest	271	290
Payments	-7,031	-5,197
Translation difference for the year	414	79
<b>Closing balance</b>	<b>8,998</b>	<b>11,900</b>
Of which, current liabilities	7,173	5,604
Total non-current liabilities	1,825	6,296

The present value of future lease fees is recognised as non-current liabilities falling due for payment as follows:

	31/12/2022	31/12/2021
More than 1 year but less than 2 years from the balance sheet date	1,825	3,795
Between 2 and 5 years from the balance sheet date	0	2,501
<b>Total</b>	<b>1,825</b>	<b>6,296</b>

Future undiscounted payment obligations for leases are as follows:

	31/12/2022	31/12/2021
Within 3 mths	1,940	1,424
Between 3 mths and 1 year	5,301	4,273
Between 2 and 5 years	1,841	6,407
<b>Total</b>	<b>9,082</b>	<b>12,104</b>

Future payment obligations in foreign currency are translated to Swedish kronor at the rates on the balance sheet date.

For TagMaster Europe, the average marginal borrowing rate was 2.62 per cent. The corresponding interest rate for TagMaster USA was 2.94 per cent. During the third quarter of 2022, the Company's lease in Berkeley was extended and is therefore no longer recognised as a short-term lease. As a result, a right of use with a corresponding lease liability of SEK 3.6 million has been recognised. The cost of short-term leases totals SEK 2,555 thousand (1,974) for the full year and the amounts involved in the cost of leasing low-value assets are minor.

## Note 17 • Other non-current receivables

	31/12/2022	31/12/2021
Rent deposits	1,584	1,358
Non-current portion of tax asset related to capitalised development expenditure incurred	4,061	–
Derivative instruments	421	–
<b>Total</b>	<b>6,066</b>	<b>1,358</b>

	31/12/2022	31/12/2021
<b>Rent deposits</b>		
Opening balance	1,358	1,253
Taken over at acquisition	–	20
Additional	–	81
Amortised/reduced	-96	-41
Translation difference for the year	322	45
<b>Closing balance</b>	<b>1,584</b>	<b>1,358</b>

Derivative instruments consist of interest-rate swaps to hedge the LIBOR on the acquisition loan. The value of the instruments has been measured according to level 2. See Note 29 for further information.

## Note 18 • Deferred tax assets and deferred tax liabilities

	Tax loss carry-forwards	De-fined-bene-fit plans	Intangible non-current assets	Untaxed reserves	Other assets and liabilities	Total
Opening balance, 01/01/2022	19,446	766	-18,561	-834	1,560	2,377
Used during the year	-843	-	-	-	-	-843
Capitalisation of claim for tax loss carry-forwards	30,721	-	-	-	-	30,721
Recognised via the income statement (temporary differences)	-	-242	6,221	-168	83	5,894
<b>Total recognised via the income statement</b>	<b>29,878</b>	<b>-242</b>	<b>6,221</b>	<b>-168</b>	<b>83</b>	<b>35,772</b>
Recognised via other comprehensive income	-	-401	-	-	-	-401
Translation difference for the year	3,217	54	-2,217	-	9	1,063
<b>Closing balance, 31/12/2022</b>	<b>52,541</b>	<b>177</b>	<b>-14,557</b>	<b>-1,002</b>	<b>1,652</b>	<b>38,811</b>
Net recognition of deferred tax attributable to subsidiaries Sensys Networks Inc. and Citilog S.A.S. <sup>2</sup>	-11,802	-	12,857	-	-1,055	0
<b>Total</b>	<b>40,739</b>	<b>177</b>	<b>-1,700</b>	<b>-1,002</b>	<b>597</b>	<b>38,811</b>

Opening balance, 01/01/2021	19,014	708	-17,495	-332	678	2,573
Used during the year	-2,979	-	-	-	-	-2,979
Change via acquisition <sup>1</sup>	2,948	79	-3,986	-	959	0
Recognised via the income statement (temporary differences)	-	-9	3,445	-502	-9	2,925
<b>Total recognised via the income statement</b>	<b>-31</b>	<b>70</b>	<b>-541</b>	<b>-502</b>	<b>950</b>	<b>-54</b>
Recognised via other comprehensive income	-	-82	-	-	-	-82
Translation difference for the year	463	-12	-525	-	-68	-142
<b>Closing balance, 31/12/2021</b>	<b>19,446</b>	<b>766</b>	<b>-18,561</b>	<b>-834</b>	<b>1,560</b>	<b>2,377</b>
Net recognition of deferred tax attributable to subsidiaries Sensys Networks Inc. and Citilog S.A.S. <sup>2</sup>	-15,611	-	16,580	-	-969	0
<b>Total</b>	<b>3,835</b>	<b>766</b>	<b>-1,981</b>	<b>-834</b>	<b>591</b>	<b>2,377</b>

1 Deferred taxes attributable to Citilog S.A.S. In the Consolidated statement of financial position, the items have been recognised net.

2 A deferred tax liability in connection with intangible non-current assets is offset against a deferred tax asset relating to a recognised deficit.

### Deferred tax assets and deferred tax liabilities

SEK thousands	31/12/2022	31/12/2021
Deferred tax assets	41,513	5,192
Deferred tax liabilities	-2,702	-2,815
<b>Total</b>	<b>38,811</b>	<b>2,377</b>

The deferred tax asset refers to a tax loss carry-forward that for the most part has been assigned a value. The tax loss carry-forwards attributable to the European operations total approximately SEK 270.2 million (245.5). None of the loss carry-forwards has a time limit. Of the European loss carry-forwards, SEK 74,484 thousand (25,424) has been capitalised. Tax loss carry-forwards attributable to operations in the USA amount to approximately SEK 188,4 million (179,0), of which SEK 161,527 thousand has been capitalised. Time limits for the tax deductibility regarding some items among these deficits exist and will become active in 2026. The item Other includes temporary differences attributable to inventories, leases, derivative instruments and warranty provisions. In 2022, tax assets relating to tax loss carry-forwards attributable to the subsidiaries TagMaster UK and Sensys Networks Inc. totalling SEK 12.5 million and SEK 18.2 million, respectively, were capitalised. For further information regarding measurement of tax loss carry-forwards, see Note 3.

## Note 19 • Inventories

	31/12/2022	31/12/2021
Raw materials and consumables	18,899	15,664
Goods in production	3,691	3,226
Finished products and goods for resale	28,163	17,680
<b>Total</b>	<b>50,753</b>	<b>36,570</b>

Of which, impaired: SEK 5,233 thousand (6,370).

## Note 20 • Trade receivables

	31/12/2022	31/12/2021
Trade receivables	84,044	68,747
Provision for doubtful trade receivables	-8,843	-6,009
<b>Total</b>	<b>75,201</b>	<b>62,738</b>

Trade receivables are amounts attributable to customers in respect of goods or services sold that are transacted within operating activities. Trade receivables generally fall due for payment within 30–60 days and on that basis all trade receivables have been classified as current assets. Trade receivables are recognised initially at the transaction price. The Group holds trade receivables in order to collect contractual cash flows and therefore measures them at amortised cost using the effective interest method on the next accounting occasion.

Age analysis	31/12/2022	31/12/2021
Not yet due	51,960	49,531
1–30 days	16,210	5,381
31–60 days	4,332	2,712
61–90 days	2,383	1,736
More than 90 days	9,159	9,387
Provision for doubtful trade receivables	-8,843	-6,009
<b>Total</b>	<b>75,201</b>	<b>62,738</b>

Provision for doubtful trade receivables is made when it is not considered likely that payment will be made. The current provision is considered adequate in order to meet any future credit losses. Customer credit insurance covers most customers, and if the credit rating is not considered sufficiently high, payment in advance is required before delivery.

IFRS 9 requires the Group to recognise a reserve for credit losses expected within the next 12 months. Historically, the Group's bad debt losses have been virtually non-existent. The effects of IFRS 9 have been calculated and the amounts are regarded as immaterial in terms of the Group's financial statements.

No individual customer accounted for more than 10 per cent of net sales, either in 2022 or in 2021.

For further information regarding measurement and classification, see Note 29.

## Note 21 • Other receivables

	31/12/2022	31/12/2021
Tax assets	2,159	6,390
VAT receivable	2,092	1,784
Advance payments to suppliers	6,735	751
Other receivables	475	1,667
Prepaid rent	675	478
Insurance prepayments	920	724
Accrued revenue	0	1,012
Other prepayments	5,318	4,398
<b>Total</b>	<b>18,374</b>	<b>17,204</b>

For information on measurement and classification, see Note 29.

## Note 22 • Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash, bank balances and other short-term investments. Other short-term investments are classified as cash and cash equivalents when they mature within three months of the date of acquisition, can easily be converted into cash at a known amount and are exposed to an insignificant risk of fluctuations in value.

Cash and cash equivalents in the balance sheet and statement of cash flows include the following: The Group's approved overdraft facilities of SEK 20.5 million were utilised in the amount of SEK 9.3 million on 31 December 2022 and the USD overdraft facility of USD 2.0 million was utilised in the amount of SEK 0.6 million on the same date.

	31/12/2022	31/12/2021
Cash and cash equivalents	36,223	53,520
Overdraft facilities granted	41,374	38,587
Utilised portion of overdraft facilities	-9,857	–
<b>Available liquidity</b>	<b>67,740</b>	<b>92,107</b>

## Note 23 • Equity

	A shares	B shares	Total number of shares registered
<b>Number, 31/12/2020</b>	–	366,188,171	366,188,171
Consolidation	–	-351,540,645	-351,540,645
<b>Number, 31/12/2021</b>	–	14,647,526	14,647,526
<b>Number, 31/12/2022</b>	–	14,647,526	14,647,526

The quotient value per share is SEK 1.25. Other contributed capital is capital provided by TagMaster's shareholders.

Items recognised via other comprehensive income	31/12/2022	31/12/2021
Exchange rate differences in equity		
Opening balance	-5,831	-21,549
Change for the year in translation of foreign subsidiaries	27,188	15,718
<b>Closing balance</b>	<b>21,357</b>	<b>-5,831</b>

	31/12/2022	31/12/2021
Revaluations of the net pension obligation		
Opening balance	-202	-451
Revaluation for the year	1,351	249
<b>Closing balance</b>	<b>1,149</b>	<b>-202</b>
Deferred tax on the above	-371	30
<b>Recognised in equity</b>	<b>778</b>	<b>-172</b>

## Note 24 • Liabilities to credit institutions

	31/12/2022	31/12/2021
Non-current portion of acquisition loan	19,900	35,506
Current portion of acquisition loan	18,526	16,852
<b>Total, acquisition loan</b>	<b>38,426</b>	<b>52,358</b>
Overdraft facility utilised	9,857	–
<b>Total, liabilities to credit institutions</b>	<b>48,283</b>	<b>52,358</b>

The acquisition loan consists of partly of a bank loan of USD 1.9 million, which was raised to finance the acquisition of Sen-sys Networks Inc. The loan has a maturity of five years with straight-line amortisation. The interest rate is LIBOR plus a margin of between 2.15 and 3.15 percentage points, determined by the metric Net debt divided by consolidated EBITDA (operating profit excluding depreciation and amortisation). The LIBOR has been hedged at 1.65% via an interest rate swap. The acquisition loan also includes an extension of the loan facility of SEK 19.0 million, which is part of the financing for the acquisition of Citilog S.A.S. The maturity of the extended loan facility is the same as that of the original acquisition loan. The interest rate is STIBOR plus a margin of between 2.0 and 3.0 percentage points, determined by the

metric Net debt divided by consolidated EBITDA (operating profit excluding depreciation and amortisation). The market value of the interest rate swap at 31 December 2022 was SEK 421 thousand (-252). The original debt was reduced via loan acquisition expenses of SEK 1,117 thousand. At 31 December 2022, the remaining amount to accrue over the term of the loan was SEK 406 thousand (677).

The non-current portion of the acquisition loan, that is, the portion not maturing within 12 months from the balance sheet date, matures as follows:

	31/12/2022	31/12/2021
More than 1 year but less than 2 years from the balance sheet date	18,526	16,852
Between 2 and 5 years from the balance sheet date	1,780	19,331
<b>Total</b>	<b>20,306</b>	<b>36,183</b>
Loan acquisition expenses	-406	-677
<b>Total</b>	<b>19,900</b>	<b>35,506</b>

For information on measurement and classification, see Note 29.

Information regarding remaining term to maturity and undiscounted amounts, including interest payments, see Note 4.

## Note 25 • Provisions for post-employment benefits

The Group operates defined-benefit pension plans for employees in France. The plan is called a "Retirement indemnity plan" and is unfunded. The retirement indemnity plan entitles employees who have been employed by TagMaster for more than two or five years to a lump-sum payment at retirement. The size of the lump-sum payment is determined by several factors such as seniority, salary at the time of retirement and position within the Company. This benefit is a statutory benefit, the form of which is described in more detail in collective agreements arranged by the parties. Potential disputes between employer and employee are settled by a court of law. Payments are made directly through TagMaster as they arise. The plan is open to new members and benefits are vested in the plan. The Group also has a statutory post-employment obligation for employees in Italy (employed by the American subsidiary).

Change in long-term pension obligations	31/12/2022	31/12/2021
<b>Opening balance</b>	<b>9,397</b>	<b>3,991</b>
Administrative expenses	607	673
Interest expenses	64	51
Expenses/income (-) regarding service in previous years and losses/gains (-) from settlements	-3,341	-20
Added via acquisition	–	4,768
Actuarial gains/losses		
– Financial assumptions	-1,415	-183
– Demographic assumptions	21	10
– Experience-based adjustments	80	-91
Translation difference for the year	650	198
<b>Closing balance</b>	<b>6,063</b>	<b>9,397</b>

### Assumptions and sensitivity analysis

The principal actuarial assumptions at 31 December 2022 were as follows:

	France	Italy
Discount rate, %	3.50	3.00
Salary increases, %	2.50	3.00
Retirement age	62–65	65

### Life expectancy

The mortality table used in France is the latest published by INSEE.

Assumptions as to life expectancy, expressed as remaining years of life for a person retiring at an appropriate retirement age are not material, since under the plan in France a lump sum payment is received by the person at the time of retirement.

### Assumptions and sensitivity analysis

The sensitivity of the obligation to changes in assumptions is shown in the table below, which illustrates the effect of a specific change, in SEK thousands. The obligation decreases where a minus (-) sign is shown and increases where a plus (+) sign is shown.

SEK thousands	31/12/2022	31/12/2021
Discount rate, +0.5%-point	-316	-536
Discount rate, -0.5%-point	347	591
Salary increase, +1.0% point	714	1,167
Salary increase, -1.0% point	-602	-973

Because under the plan a lump sum is paid at the time of retirement, the obligation is not sensitive to changes in the mortality table.

The above sensitivity analysis is based on the premise that one assumption is changed while the others remain constant. In reality, such a scenario is unlikely, as certain assumptions may

Note 25, continued

be correlated. The sensitivity analysis for the significant actuarial assumptions for the plans is based on the same methodology as for determining the present value of the obligation as entered on the balance sheet (the Projected United Credit Method, PUCM). The methodology and choice of assumptions for the sensitivity analysis are unchanged from previous years. The sensitivity analyses have been determined against the background of conceivable changes in every individual assumption at the time of valuation and do not necessarily represent the actual effect of any change in assumption.

## Note 26 • Other provisions

	31/12/2022	31/12/2021
Warranty provisions	5,584	7,259
Post-employment benefits	5,418	8,987
<b>Total non-current portion</b>	<b>11,002</b>	<b>16,246</b>
Warranty provisions – current portion	3,850	1,968
Post-employment benefits	645	410
<b>Total current portion</b>	<b>4,495</b>	<b>2,378</b>
<b>Total provisions</b>	<b>15,497</b>	<b>18,624</b>
<b>Warranty provisions</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Opening balance	9,227	7,453
Provision for the year	4,416	7,627
Settlement for the year	-3,729	-4,011
Reversal for the year	-1,208	-2,131
Translation difference for the year	728	289
<b>Closing balance</b>	<b>9,434</b>	<b>9,227</b>

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical data and conceivable outcomes related to specific warranty cases.

The American subsidiary Sensys Networks Inc.'s subcontractor experienced Covid-related quality problems in the second quarter in 2021. These quality problems led to an exceptional provision of SEK 4.2 million.

## Note 27 • Contingent additional purchase considerations

A contingent purchase consideration has arisen following the acquisition of Magsys SA. The additional purchase consideration is based on the future operating margin of the acquired company. The provision is recognised at the present value of the estimated future payments required to settle the additional purchase consideration. Contingent purchase considerations from acquisitions are measured at fair value, according to level 3. For further information, see Note 29.

The contingent purchase consideration related to the acquisition of Magsys was settled in 2021.

	31/12/2022	31/12/2021
Opening balance	–	2,008
Settlement	–	-2,020
Translation difference	–	12
<b>Closing balance</b>	<b>–</b>	<b>0</b>

## Note 28 • Other non-current liabilities

	31/12/2022	31/12/2021
Composition arrangement	3,261	4,796
Derivative instruments	–	252
Contractual liability	1,518	6,313
<b>Total</b>	<b>4,779</b>	<b>11,361</b>

The composition liability relates to debts of SEK 5,231 thousand (6,596) included in Balogh's composition arrangement, where creditors opted to have them repaid over eight years.

Derivative instruments consist of interest-rate swaps to hedge the LIBOR on the acquisition loan.

The value of the instruments has been measured according to level 2. See Note 29 for further information.

	31/12/2022	31/12/2021
<b>Composition arrangement</b>		
Non-current portion	3,261	4,796
Current portion	1,970	1,800
<b>Total</b>	<b>5,231</b>	<b>6,596</b>

The non-current portion of the composition liability falls due for payment as follows:

	31/12/2022	31/12/2021
More than 1 year but less than 2 years from the balance sheet date	3,261	1,329
Between 2 and 5 years from the balance sheet date	–	3,467
<b>Total</b>	<b>3,261</b>	<b>4,796</b>

In the second quarter of 2021, the government support loan taken by the USA subsidiary from the USA government was forgiven, resulting in a one-off receipt of SEK 6.9 million, which is reported as Other income in the consolidated income statement.

The income to which the contractual liability relates will be recognised more than one year but less than five years from the balance sheet date.

The Group does not have any liabilities with maturities later than five years from the balance sheet date.

For information on measurement and classification, see Note 29.

## Note 29 • Financial assets and liabilities

### *Recognition in and derecognition from the statement of financial position*

A financial asset or financial liability is recognised in the statement of financial position when the company becomes a party under the contractual terms of the instrument. A receivable is recognised when the company has performed and there is a contractual obligation for the counterparty to pay, even if the invoice has not yet been sent. Trade receivables are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade payables are recognised when an invoice has been received. A financial asset is derecognised from the statement of financial position when the rights in the contract are realised, mature or the company loses control of them. The same applies to part of a financial asset. A financial liability is derecognised from the statement of financial position when the obligation in the contract is fulfilled or otherwise extinguished. The same applies to part of a financial liability. No financial assets and liabilities are offset in the statement of financial position, as conditions for set-off have not been fulfilled. Acquisitions and disposals of financial assets are recognised on the trade date. The trade date is the day on which the company undertakes to acquire or dispose of the asset.

### *Classification and measurement*

Financial assets are classified on the basis of the business model within which the asset is managed and the nature of the cash flow. If the financial asset is held within the framework of a business model whose objective is to collect contractual cash flows, and the agreed terms of the financial asset give rise at specified times to cash flows that are only payments of principal and interest on the outstanding principal, the asset is recognised at amortised cost. This business model is classified as "hold to collect".

If the financial asset is held in a business model whose objective can be achieved both by collecting contractual cash flows and selling financial assets, and the agreed terms of the financial asset give rise at specified times to cash flows that are only payments of principal and interest on the outstanding principal, the asset

is recognised at fair value through other comprehensive income. This business model is classified as "hold to collect and sell".

In all other business models where the purpose is speculation or holding for trading or where the nature of the cash flow excludes other business models, assets are recognised at fair value via the income statement. This business model is classified as "other".

For all financial assets except derivative instruments, TagMaster uses the "hold to collect" business model, which means that the assets are recognised at amortised cost.

TagMaster applies the "other" business model to derivative instruments, which means that they are measured at fair value through profit or loss.

The classification of financial liabilities does not follow the same approach as for financial assets. Financial liabilities are either measured at fair value through profit or loss or at amortised cost.

Financial liabilities are measured at fair value through profit or loss when they meet the definition of a financial instrument held for trading, if they are irrevocably identified as such at initial recognition or if they are derivatives. Contingent purchase considerations and derivative instruments are measured at fair value via the income statement. Other financial liabilities are recognised at amortised cost.

### *Amortised cost and effective interest method*

The amortised cost of a financial asset is the amount at which the financial asset is measured on initial recognition less principal, plus the accumulated amortisation, using the effective interest method, of any difference between the principal and the outstanding principal, adjusted for any impairment losses. The gross recognised carrying amount of a financial asset is the amortised cost of the financial asset before adjustments for any loss reserve.

### *Impairment*

IFRS 9 requires the Group to recognise a reserve for credit losses expected within the next 12 months. Historically, the Group's bad debt losses have been virtually non-existent. The effects of IFRS 9 have been calculated and the amounts are regarded as immaterial in terms of the Group's financial statements.

## 2022

	Financial assets measured at fair value	Financial assets measured at amortised cost	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Carrying amount
Other non-current receivables	421	1,584	–	–	2,005
Trade receivables	–	75,201	–	–	75,201
Other receivables	–	475	–	–	475
Cash and cash equivalents	–	36,223	–	–	36,223
Liabilities to credit institutions	–	–	–	-48,282	-48,282
Other non-current liabilities	–	–	–	-3,261	-3,261
Trade payables	–	–	–	-19,869	-19,869
Other liabilities	–	–	–	-17,101	-17,101

Note 29, continued

2021					
	Financial assets measured at fair value	Financial assets measured at amortised cost	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Carrying amount
Other non-current receivables	–	1,358	–	–	1,358
Trade receivables	–	62,738	–	–	62,738
Other receivables	–	1,667	–	–	1,667
Cash and cash equivalents	–	53,520	–	–	53,520
Liabilities to credit institutions	–	–	–	-52,358	-52,358
Other non-current liabilities	–	–	-252	-4,796	-5,048
Trade payables	–	–	–	-14,569	-14,569
Other liabilities	–	–	–	-14,998	-14,998

The non-current receivables measured at fair value consist of derivative instruments and have been measured according to level 2. Contingent purchase considerations are measured at fair value, according to level 3. For definitions of classification by level, see below.

#### Fair value of financial instruments

Information on how fair value has been determined for financial instruments measured at fair value in the statement of financial position is provided below. The breakdown of how fair value is determined is made on the basis of the following three levels.

*Level 1:* according to prices quoted on an active market for the same instrument.

*Level 2:* based on directly or indirectly observable market data not included in Level 1.

*Level 3:* based on inputs that are not observable on the market.

Derivative instruments with a positive value are regularly measured at fair value, where fair value is determined according to level 2. The Group has no other financial assets that are regularly measured at fair value. Liabilities that are regularly measured at fair value are derivative instruments with a negative fair value, where fair value is determined according to level 2, and contingent

purchase considerations where fair value is determined according to level 3. There were no transfers between level 1 and level 2 for regular measurements at fair value during the year.

For financial assets and other financial liabilities, the carrying amounts are considered to be a good approximation of the fair values as a result of the maturity and/or fixed interest rate being less than three months, which means that a discount based on current market conditions is not expected to have a material effect.

The following summarises the methods and assumptions used to determine the fair value of the Group's financial instruments measured at fair value according to level 3.

Contingent purchase considerations from acquisitions are measured at fair value, according to level 3. A discounted cash flow method was used to capture the present value of the expected future economic benefits that will leave the Group from business acquisitions. The significant unobservable data used in the calculation are risk-adjusted discount rate and probability-adjusted expected cash flow.

At year-end 2022, there were no outstanding contingent considerations from business acquisitions.

## Note 30 • Other liabilities

	31/12/2022	31/12/2021
Advance payments from customers	3,318	3,865
VAT and other tax-related items	2,186	4,458
Liabilities, composition arrangement – Balogh	1,970	1,800
Total current liabilities	1,255	1,635
Personnel-related expenses	26,138	27,126
Other accrued expenses	13,016	9,874
Contractual liability	12,602	3,933
Accrued sales commission payments	849	600
<b>Total</b>	<b>61,334</b>	<b>53,291</b>

For information on valuation and classification, see Note 29.

## Note 31 • Pledged assets

	31/12/2022	31/12/2021
Assets pledged for liabilities to credit institutions		
Corporate mortgages	21,800	21,800
<b>Total</b>	<b>21,800</b>	<b>21,800</b>

## Note 32 • Business combinations

On 30 April 2021, TagMaster AB acquired 100 per cent of the shares in the French company Citilog S.A.S. for a consideration of SEK 42,559 thousand. The purchase price amounted to EUR 3.4 million on a debt- and cash-free basis with a working capital adjustment at the closing date to normalised working capital. The acquisition is a step in the Group's strategy to focus on growth in the Traffic Solutions application segment. The acquisition adds expertise and software solutions in AI and deep learning, providing the Group with increased capacity to create future products and data solutions in the USA and Europe. The entire purchase price was paid in cash and the transaction was financed through a combination of new debt facilities and equity. Acquisition-related expenses totalled SEK 464 thousand and are recognised as other expenses in the income statement. The assets and liabilities recognised as a result of the acquisition are as follows:

Fair value	Fair value
<i>Non-current assets</i>	
Capitalised development expenditure	12,918
Customer relationships	3,037
Other non-current receivables	30
Property, plant and equipment	618
<i>Current assets</i>	
Inventories	2,085
Trade receivables	18,655
Total current receivables	6,322
Cash and cash equivalents	12,273
<i>Non-current liabilities</i>	
Other provisions	-4,808
<i>Current liabilities</i>	
Trade payables	-1,650
Total current liabilities	-13,730
<b>Identifiable assets and liabilities, net</b>	<b>35,750</b>
Consideration transferred	42,559
<b>Goodwill</b>	<b>6,809</b>
<b>Net cash flow at acquisition of Citilog S.A.S.</b>	
Consideration transferred	42,559
Less: Cash and cash equivalents acquired	12,273
<b>Net cash flow</b>	<b>30,286</b>

The consideration transferred also included amounts related to benefits from expected synergies, increased revenue, development of future markets and the combined workforce of the companies. These benefits have not been recognised separately from goodwill because they do not meet the criteria for recognition of identifiable intangible assets. No part of the goodwill arising in connection with the acquisition is expected to be tax deductible. Deferred tax attributable to surplus values in connection with the acquisition totalled approximately SEK 2.5 million on 31 December 2021. In the acquisition analysis, a corresponding amount is recognised as a deferred tax asset attributable to tax loss carry-forwards. In the consolidated statement of financial position, these two items are recognised net.

## Note 33 • Statement of cash flows

The statement of cash flows is prepared using the indirect method. The recognised cash flow includes only transactions involving inward or outward payments. This means that there may be deviations from changes in individual items in the balance sheet.

Non-cash items	2022	2021
Depreciation/amortisation	30,269	24,538
Currency conversions	-846	0
Provisions and accrued expenses	0	8,808
Forgiven government loan	-	-6,961
<b>Total</b>	<b>29,423</b>	<b>26,385</b>

Changes in liabilities attributable to financing activities	Liabilities to credit institutions	Liabilities arising from leases	Other non-current liabilities	Total
Opening balance, 01/01/2022	52,358	11,900	11,361	75,619
<i>Cash flow for the year 2022</i>				
Change in bank overdraft facilities	9,857	-	-	9,857
Amortisation of liabilities	-17,870	-7,031	-	-24,901
<i>Non-cash items</i>				
Revaluations	-	176	-	176
Fair value measurement, derivative instruments	-	-	-252	-252
New leases	-	3,416	-	3,416
Accrued loan acquisition expenses	271	-	-	271
Attributable to operating activities	-	-	-6,990	-6,990
Exchange rate differences	3,666	537	660	4,863
<b>Closing balance, 31/12/2022</b>	<b>48,282</b>	<b>8,998</b>	<b>4,779</b>	<b>62,059</b>

Note 33, continued

Changes in liabilities attributable to financing activities	Liabilities to credit institutions	Liabilities arising from leases	Other non-current liabilities	Total
Opening balance, 01/01/2021	38,968	4,768	19,311	63,047
<i>Cash flow for the year 2021</i>				
Borrowings	27,728	–	–	27,728
Change in bank overdraft facilities	-4,400	–	–	-4,400
Amortisation of liabilities	-13,185	-5,197	–	-18,382
<i>Non-cash items</i>				
Revaluations	–	3,320	–	3,320
Fair value measurement, derivative instruments	–	–	-485	-485
Accrued loan acquisition expenses	238	–	–	238
Added via acquisition	–	8,640	–	8,640
Forgiven state aid loan	–	–	-6,891	-6,891
Attributable to operating activities	–	–	-751	-751
Exchange rate differences	3,009	369	177	3,555
<b>Closing balance, 31/12/2021</b>	<b>52,358</b>	<b>11,900</b>	<b>11,361</b>	<b>75,619</b>

## Note 36 • Post balance sheet events

No events that are to be regarded as material have occurred between the balance sheet date and the date of signing of the Annual Report.

## Note 34 • Exchange rates used in the financial statements

The table below shows the exchange rates used in translation of financial statements from the foreign subsidiaries that prepare their financial statements in a currency other than that used for presentation of the Consolidated financial statements (SEK). The exchange rates have been obtained from Riksbanken, Sweden's central bank.

Currency code	Average rate		Rate on balance sheet date	
	2022	2021	2022	2021
EUR	10.6317	10.1449	11.1283	10.2269
GBP	12.4669	11.8022	12.5811	12.1790
USD	10.1245	8.5815	10.4371	9.0437

## Note 35 • Related-party transactions

Related-party transactions refer to transactions in the form of remuneration to senior executives, as stated in Note 8. There are no other significant transactions with related parties.

## Parent Company income statement

Amounts in SEK th.	Note	2022	2021
<b>Operating income etc.</b>			
Net sales	P2	92,990	84,975
Other operating income	P7	2,051	845
<b>Total operating income</b>		<b>95,041</b>	<b>85,820</b>
<b>Operating expenses</b>			
Goods for resale		-38,427	-29,230
Other external expenses	P4, P6	-23,259	-18,966
Personnel expenses	P5	-26,235	-26,055
Depreciation/amortisation of property, plant, and equipment and intangible non-current assets	P12, P13	-106	-106
Other operating expenses	P7	0	-301
<b>Total operating expenses</b>		<b>-88,027</b>	<b>-74,658</b>
<b>Operating profit/loss</b>		<b>7,014</b>	<b>11,162</b>
<b>Result from financial investments</b>			
Other interest income and similar items	P8	2,125	3,457
Interest expenses and similar items	P9	-6,031	-5,118
<b>Total financial items</b>		<b>-3,906</b>	<b>-1,661</b>
<b>Profit/loss after financial items</b>		<b>3,108</b>	<b>9,501</b>
<b>Appropriations</b>			
To tax allocation reserve		-815	-2,435
<b>Profit/loss before tax</b>		<b>2,293</b>	<b>7,066</b>
Tax on net profit for the year	P10	-517	-1,487
<b>Net profit/loss for the year</b>		<b>1,776</b>	<b>5,579</b>

# Parent Company balance sheet

Amounts in SEK th.	Note	31/12/2022	31/12/2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other intangible non-current assets	P11	134	213
Equipment, tools, fixtures and fittings	P12	36	65
<b>Non-current financial assets</b>			
Participations in Group companies	P13	287,266	287,256
Deferred tax assets	P14	333	345
<b>Total non-current assets</b>		<b>287,769</b>	<b>287,879</b>
<b>Current assets</b>			
<b>Inventories etc.</b>			
Finished products and goods for resale		12,850	10,580
<b>Total current assets</b>		<b>12,850</b>	<b>10,580</b>
<b>Current receivables</b>			
Trade receivables	P15	12,496	15,358
Receivables from Group companies		18,281	18,696
Other receivables	P16	3,124	3,406
Prepayments and accrued income	P17	2,650	1,749
<b>Total current liabilities</b>		<b>36,551</b>	<b>39,209</b>
<b>Cash and bank balances</b>		<b>514</b>	<b>5,557</b>
<b>TOTAL ASSETS</b>		<b>337,684</b>	<b>343,225</b>

## Parent Company balance sheet, continued

Amounts in SEK th.	Note	31/12/2022	31/12/2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>	P18		
Share capital		18,309	18,309
Statutory reserve		216	216
<b>Total equity</b>		<b>18,525</b>	<b>18,525</b>
<b>Unrestricted equity</b>			
Share premium reserve		171,454	171,454
Retained earnings		70,786	65,207
Net profit/loss for the year		1,776	5,579
<b>Total unrestricted equity</b>		<b>244,015</b>	<b>242,240</b>
<b>Total equity</b>		<b>262,540</b>	<b>260,765</b>
<b>Untaxed reserves</b>		<b>4,864</b>	<b>4,049</b>
<b>Provisions</b>			
Other provisions	P19	1,611	1,673
<b>Total provisions</b>		<b>1,611</b>	<b>1,673</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	P20	19,900	35,506
Non-current liabilities to Group companies	P22	–	–
<b>Total non-current liabilities</b>		<b>19,900</b>	<b>35,506</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	P20	28,382	16,852
Trade payables		8,307	6,565
Tax liability		0	2,541
Liabilities to Group companies		92	461
Other liabilities	P23	2,717	6,004
Accruals and deferred income	P24	9,271	8,809
<b>Total current liabilities</b>		<b>48,769</b>	<b>41,232</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>337,684</b>	<b>343,225</b>

## Parent Company statement of changes in equity

Amounts in SEK th.	Share capital	Statutory reserve	Share premium reserve	Retained earnings, incl. profit for the year	Total equity
Amount at start of year, 01/01/2021	18,309	216	171,454	65,207	255,186
Net profit/loss for the year	–	–	–	5,579	5,579
Amount at year-end, 31/12/2021	18,309	216	171,454	70,786	260,765
Amount at start of year, 01/01/2022	18,309	216	171,454	70,786	260,765
Net profit/loss for the year	–	–	–	1,776	1,776
Amount at year-end, 31/12/2022	18,309	216	171,454	72,561	262,540

## Parent Company statement of cash flows

Amounts in SEK th.	Note	2022	2021
<b>Operating activities</b>			
Operating profit/loss		7,014	11,162
Adjustments for non-cash items	P26	106	106
Interest paid		-2,083	-1,840
Tax paid		-1,036	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>4,001</b>	<b>9,428</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		-2,271	1,603
Change in operating receivables		3,261	3,153
Change in operating liabilities		-1,514	-5,288
<b>Cash flow from operating activities</b>		<b>3,477</b>	<b>8,896</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries		-10	-43,019
Lending to subsidiaries		-496	27,218
<b>Cash flow from investing activities</b>		<b>-506</b>	<b>-15,801</b>
<b>Financing activities</b>	P26		
New financial liabilities		–	27,728
Amortisation of financial liabilities		-17,870	-13,185
Change in bank overdraft facilities		9,857	-4,400
<b>Cash flow from financing activities</b>		<b>-8,013</b>	<b>10,143</b>
Cash flow for the year		-5,043	3,238
Cash and cash equivalents at start of year		5,557	2,319
<b>Cash and cash equivalents at year-end</b>		<b>514</b>	<b>5,557</b>

# Notes to the Parent Company financial statements

Amounts in SEK th. unless otherwise specified

## Note P1 • Parent Company accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Council Recommendation RFR 2 Accounting for Legal Entities. Statements regarding listed companies issued by the Swedish Financial Reporting Council are also applied. According to RFR 2, the parent company is required in the annual accounts for the legal entity to apply all IFRS standards adopted by the EU and statements, as far as is possible under the provisions of the Swedish Annual Accounts Act and taking into account the relationship between accountancy and taxation. The recommendation specifies the exceptions and additions to be made to IFRS.

The differences between the Group's and the Parent Company's accounting policies are set out below. The stated accounting policies for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

### Classification and formats

The Parent Company's income statement and balance sheet are prepared according to the scheme set out in the Swedish Annual Accounts Act. The main departure from IAS 1 Presentation of Financial Statements, which is used in the preparation of the consolidated financial statements, is regarding presenting financial income and expenses, non-current assets, equity and provisions reported under a separate heading.

### Capitalised development expenditure

The Parent Company applies the exemption allowed in RFR 2, according to which development expenditure that under IAS 38 is to be recognised as an asset on the balance sheet can be expensed. The Parent Company applies the cost accounting model for proprietary intangible non-current assets.

### Subsidiaries

Participations in subsidiaries are recognised at cost, which includes any transaction expenses directly attributable to the acquisition of the participations. Dividends from subsidiaries are recognised as revenue when the right to receive dividends is deemed certain and can be reliably calculated.

### Financial instruments

The Parent Company applies the exemption in RFR 2, and the rules on financial instruments in IFRS 9 are therefore not applied in the Parent Company as a legal entity. In the Parent Company, non-current financial assets are measured at cost less any impairment, and financial current assets according to the principle of lower of cost or market.

### Leases

The Parent Company applies the exemption in RFR 2, and the rules on leases in IFRS 16 are therefore not applied in the Parent Company as a legal entity. In the Parent Company, lease payments are recognised as an expense on a straight-line basis over the term of the lease, unless a different systematic approach better reflects the economic benefit to the user over time. This applies even if the payments are distributed differently. Right of use and lease liability are therefore not recognised in the balance sheet.

### Shareholder contributions

Shareholder contributions paid are recognised by the donor as an increase under the heading Participations in Group companies. Shareholder contributions are recognised by the recipient directly against unrestricted equity.

## Note P2 • Breakdown of net sales

Geographic market	2022	2021
EMEA	46,807	42,327
Asia Pacific	18,927	21,231
Americas	27,256	21,417
<b>Total</b>	<b>92,990</b>	<b>84,975</b>

Customer category	2022	2021
Traffic	61,611	43,480
Rail	28,705	38,312
<b>Total</b>	<b>90,316</b>	<b>81,792</b>

Intra-Group services	2,674	3,183
<b>Total</b>	<b>92,990</b>	<b>84,975</b>

The timing of revenue recognition is at a specific point in time.

For further information on income from contracts with customers, see Note 6 to the Consolidated financial statements.

## Note P3 • Purchases and sales within the Group

	2022	2021
Proportion of sales, Group companies, %	13.6	6.2
Proportion of purchases, Group companies, %	9.4	6.0

## Note P4 • Remuneration to auditors

Fees and expenses	2022	2021
<b>Mazars</b>		
Audit assignment	900	900
	<b>900</b>	<b>900</b>

## Note P5 • Employees, personnel expenses and fees to Board members

	2022		2021	
	Number of employees	Of whom, men	Number of employees	Of whom, men
Average number of employees				
Sweden	16	11	17	13

	2022		2021	
	Women	Men	Women	Men
Gender distribution, senior executives				
Board of Directors	1	3	1	4
CEO and other Company management	2	4	2	4

### Breakdown of salaries and other remuneration per senior executives and other employees SEK thousands

	2022	2021
Board, CEO and other senior executives	10,693	9,721
Other	6,165	7,001
<b>Total</b>	<b>16,858</b>	<b>16,722</b>

Salaries, other remuneration and social welfare costs	Salaries and other remuneration	
	2022	2021
Salaries and other remuneration	16,858	16,722
Social welfare costs	9,706	9,688
(of which, pension expenses)	3,488	3,331

For further information concerning employees, personnel expenses and fees to Board members, see Note 8, Notes to the Consolidated financial statements.

## Note P6 • Lease fees

	31/12/2022	31/12/2021
Leases, including rent for premises	1,438	1,292
Lease fees, cost for the year	117	114
<b>The remaining lease fees fall due as follows:</b>		
Less than one year	1,191	1,147
More than one year but less than five years	1,224	2,384
<b>Total</b>	<b>2,415</b>	<b>3,531</b>

The most important leases relate to premises in Kista.

## Note P7 • Other income and operating expenses

	2022	2021
<b>Other income</b>		
Exchange rate differences	1,704	461
Grants	346	301
Other	1	83
<b>Total</b>	<b>2,051</b>	<b>845</b>
<b>Other operating expenses</b>		
Other	0	-301
<b>Total</b>	<b>0</b>	<b>-301</b>

**Note P8 • Other interest income and similar items**

	2022	2021
Interest income, Group companies	511	1,054
Exchange rate gain on liabilities to credit institutions	12	–
Exchange rate gains on current receivables from subsidiaries	1,602	2,403
<b>Total</b>	<b>2,125</b>	<b>3,457</b>

**Note P9 • Interest expenses and similar items**

Financial expenses	2022	2021
Interest expenses	-2,366	-2,078
Exchange rate loss on liabilities to credit institutions	-3,665	-3,040
<b>Total</b>	<b>-6,031</b>	<b>-5,118</b>

**Note P10 • Tax on net profit for the year**

	2022	2021
Current tax	-504	-1,505
Deferred tax	-14	18
<b>Total</b>	<b>-517</b>	<b>-1,487</b>
<b>Theoretical tax</b>		
Pre-tax profit recognised	2,293	7,066
Tax at current rate, 20.6%	-472	-1,456
<b>Reconciliation of tax recognised</b>		
Tax effect of non-deductible expenses	-44	-31
Effect of non-taxable income	0	0
<b>Total</b>	<b>-517</b>	<b>-1,487</b>

**Note P11 • Other non-current intangible assets**

	31/12/2022	31/12/2021
Cost of acquisition, opening balance	387	387
<b>Accumulated cost of acquisition, closing balance</b>	<b>387</b>	<b>387</b>
Amortisation, opening balance	-173	-96
Amortisation for the year	-77	-77
<b>Accumulated amortisation, closing balance</b>	<b>-251</b>	<b>-173</b>
Carrying amount	134	213

**Note P12 • Equipment**

Equipment, tools, fixtures and fittings	31/12/2022	31/12/2021
Cost of acquisition, opening balance	3,408	3,408
<b>Accumulated cost of acquisition, closing balance</b>	<b>3,408</b>	<b>3,408</b>
Amortisation, opening balance	-3,343	-3,314
Amortisation for the year	-29	-29
<b>Accumulated amortisation, closing balance</b>	<b>-3,372</b>	<b>-3,343</b>
Carrying amount	36	65

## Note P13 • Participations in Group companies

	31/12/2022	31/12/2021
Cost of acquisition, opening balance	287,256	250,581
Acquisitions	–	43,019
Disposals	–	-5,912
Liquidation	–	-432
Shareholder contributions	10	–
<b>Accumulated cost of acquisition, closing balance</b>	<b>287,266</b>	<b>287,256</b>
<b>Carrying amount</b>	<b>287,266</b>	<b>287,256</b>

Parent Company Company	Corp. ID No.	Reg. office	Number	Share of equity, %	Carrying amount	
					31/12/2022	31/12/2021
TagMaster Incentive AB	559005-4374	Stockholm	50,000	100	60	50
TagMaster UK Limited (CitySync)	03791347	Stevenage	15,000	100	67,112	67,112
SA Balogh International	380 591 933	Paris	151,949	100	12,609	12,609
Sensys Networks Inc.	C2435981	Berkeley	100	100	164,466	164,466
Citilog S.A.S.	412 472 912	Paris	724,130	100	43,019	43,019
					<b>287,266</b>	<b>287,256</b>

With a view to simplifying the Group structure and coordinating functions in the European segment, the subsidiary Balogh Normandie and Magsys SA were merged with TagMaster France SA in 2021. In 2021, CA Traffic Limited was liquidated.

Balogh International Company	Corp. ID No.	Reg. office	Number	Share of equity, %
TagMaster France SA (SA Balogh)	582 061 073	Paris	31,941	100

## Note P14 • Deferred tax assets

Deferred tax assets	31/12/2022	31/12/2021
Opening balance	345	327
Capitalisation of claim for temporary differences	-13	18
<b>Closing balance</b>	<b>333</b>	<b>345</b>

Temporary differences occur in the following items:

	Deferred tax asset	
	31/12/2022	31/12/2021
Warranty provisions	333	345
<b>Carrying amount</b>	<b>333</b>	<b>345</b>

## Note P15 • Trade receivables

	31/12/2022	31/12/2021
Trade receivables	12,496	15,358
<b>Total</b>	<b>12,496</b>	<b>15,358</b>
	31/12/2022	31/12/2021
Not yet due	9,637	14,195
1–30 days	2,276	223
31–60 days	532	534
61–90 days	8	–
More than 90 days	43	406
<b>Total</b>	<b>12,496</b>	<b>15,358</b>

For further information regarding trade receivables, see Note 20 to the Consolidated financial statements.

In 2022, the largest customer category accounted for approximately 17 per cent of total sales. The next largest partner accounted for 26 per cent of total sales.

## Note P16 • Other receivables

	31/12/2022	31/12/2021
Tax assets	812	1,624
VAT receivable	2,081	1,774
Other receivables	231	8
<b>Total</b>	<b>3,124</b>	<b>3,406</b>

## Note P17 • Prepayments and accrued income

	31/12/2022	31/12/2021
Prepaid rent	331	94
Insurance prepayments	421	411
Other prepayments	1,898	1,244
<b>Total</b>	<b>2,650</b>	<b>1,749</b>

## Note P18 • Equity

See Note 23 for more information on the Parent Company's share capital.

## Note P19 • Provisions

	31/12/2022	31/12/2021
<b>Warranty provisions</b>		
Carrying amount, opening balance	1,673	1,588
Provision for the year	701	911
Settlement for the year	0	50
Provision for the year	-763	-876
<b>Carrying amount</b>	<b>1,611</b>	<b>1,673</b>
<b>Additional purchase consideration, Magsys</b>		
Carrying amount, opening balance	–	2,008
Translation difference for the year	–	12
Settlement	–	-2,020
<b>Carrying amount</b>	<b>0</b>	<b>0</b>
<b>Total provisions</b>	<b>1,611</b>	<b>1,673</b>

## Note P20 • Liabilities to credit institutions

	31/12/2022	31/12/2021
Non-current portion of acquisition loan	19,900	35,506
Current portion of acquisition loan	18,526	16,852
<b>Total</b>	<b>38,425</b>	<b>52,358</b>
Overdraft facility utilised	9,857	–
<b>Total, liabilities to credit institutions</b>	<b>48,282</b>	<b>52,358</b>

The non-current portion of the liability matures as follows:

	31/12/2022	31/12/2021
More than 1 year but less than 2 years from the balance sheet date	18,526	16,852
Between 2 and 5 years from the balance sheet date	1,780	19,331
<b>Total</b>	<b>20,306</b>	<b>36,183</b>
Loan acquisition expenses	-406	-677
<b>Total</b>	<b>19,900</b>	<b>35,506</b>

The acquisition loan consists of partly of a bank loan of USD 1.9 million, which was raised to finance the acquisition of Sensys Networks Inc. The loan has a maturity of five years with straight-line amortisation. The interest rate is LIBOR plus a margin of between 2.15 and 3.15 percentage points, determined by the metric Net debt divided by consolidated EBITDA (operating profit excluding depreciation and amortisation). The LIBOR has been hedged at 1.65 per cent via an interest rate swap. The acquisition loan also includes an extension of the loan facility of SEK 19.0 million, which is part of the financing for the acquisition of Citilog S.A.S. The maturity of the extended loan facility is the same as that of the original acquisition loan. The interest rate is STIBOR plus a margin of between 2.0 and 3.0 percentage points, determined by the metric Net debt divided by consolidated EBITDA (operating profit excluding depreciation and amortisation). The market value of the interest rate swap at 31 December 2022 was SEK 421 thousand (-252). The original debt was reduced via loan acquisition expenses of SEK 1,117 thousand. At 31 December 2022, the remaining amount to accrue over the term of the loan was SEK 406 thousand (677).

## Note P21 • Bank overdraft facilities

The Parent Company has an overdraft facility granted of SEK 20.5 million and USD 2 million, equivalent to SEK 41.4 million. At 31 December 2022, SEK 9.9 million had been utilised, indicating that SEK 31.5 million was unutilised and available.

	31/12/2022	31/12/2021
Cash and cash equivalents	514	5,557
Overdraft facilities granted	41,374	38,587
Utilised portion of overdraft facilities	-9,857	-
<b>Available liquidity</b>	<b>32,031</b>	<b>44,144</b>

## Note P22 • Liabilities to Group companies

	31/12/2022	31/12/2021
Opening balance	-	3,087
Amortisation	-	-3,122
Translation difference for the year	-	35
<b>Closing balance</b>	<b>-</b>	<b>0</b>

## Note P23 • Other liabilities

	31/12/2022	31/12/2021
Advance payments from customers	1,817	1,752
VAT and other tax-related items	506	3,514
Other liabilities	394	738
<b>Total</b>	<b>2,717</b>	<b>6,004</b>

## Note P24 • Accruals and deferred income

	31/12/2022	31/12/2021
Personnel-related expenses	7,002	6,894
Other accrued expenses	1,420	1,315
Accrued sales commission payments	849	600
<b>Total</b>	<b>9,271</b>	<b>8,809</b>

## Note P25 • Pledged assets and contingent liabilities

	31/12/2022	31/12/2021
Assets pledged for liabilities to credit institutions		
Corporate mortgages	21,800	21,800
<b>Total</b>	<b>21,800</b>	<b>21,800</b>

## Note P26 • Statement of cash flows

Non-cash items	31/12/2022	31/12/2021
Depreciation/amortisation	106	106
<b>Total</b>	<b>106</b>	<b>106</b>

### Changes in liabilities attributable to financing activities

Liabilities to credit institutions	31/12/2022	31/12/2021
Opening balance	52,358	38,968
<b>Cash flow for the year</b>		
Borrowings	-	27,728
Change in bank overdraft facilities	9,857	-4,400
Amortisation of liabilities	-17,870	-13,185

Non-cash items	31/12/2022	31/12/2021
Accrued loan acquisition expenses	271	238
Exchange rate differences	3,666	3,009
<b>Closing balance</b>	<b>48,282</b>	<b>52,358</b>

Liabilities to Group companies	31/12/2022	31/12/2021
Opening balance	-	3,087

Non-cash items	31/12/2022	31/12/2021
Receivable recognised net (merger of subsidiary Magsys SA)	-	-3,087
<b>Closing balance</b>	<b>-</b>	<b>0</b>

## Note P27 Appropriation of profits

(Amounts in SEK)

Proposed allocation of the Company's profit

The following unappropriated profit is available for allocation by the AGM:

Retained earnings	70,785,239
Share premium reserve	171,454,976
Net profit/loss for the year	1,776,022
<b>Total</b>	<b>244,016,237</b>

The Board of Directors proposes:

To be carried forward	244,016,237
<b>Total</b>	<b>244,016,237</b>

# Signatures

Kista, 23 March 2023

Bernt Ingman  
Chairman

Liselott Lading

Gert Sviberg

Juan Vallejo

Jonas Svensson  
Chief Executive Officer

Our audit report was submitted on 23 March 2023

Mazars AB

Anders Bergman  
Authorised Public Accountant

# Audit report

To the Annual General Meeting of TagMaster AB (publ), Corp. ID No. 556487-4534

## REPORT ON THE ANNUAL REPORT AND THE CONSOLIDATED ACCOUNTS

### Opinion

We have conducted an audit of the annual report and consolidated accounts for TagMaster AB (publ) for the 2022 financial year. The company's annual report and consolidated accounts are included on pages 40–85 of this document.

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as at 31 December 2022 and its financial performance and cash flow for the year then ended, in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the group as at 31 December 2022 and its financial performance and cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The statutory administration report (directors' report) is consistent with the other parts of the annual report and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and the balance sheet of the parent company and the group.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the section Auditor's responsibilities. We are independent in relation to the parent company and the group in accordance with generally accepted auditing standards in Sweden and otherwise have fulfilled our ethical responsibilities in accordance with these requirements.

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

### Information other than the annual report and the consolidated accounts

This document also contains information other than the annual report and the consolidated accounts, which other information can be found on pages 1–39 and 89–95. The board of directors and the CEO are responsible for this other information.

Our opinion on the annual report and consolidated accounts does not include this information and we do not express an opinion verifying this other information.

In connection with our audit of the annual report and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual report and consolidated accounts. In this review we also take into account the knowledge we have obtained elsewhere in the audit and assess whether the information otherwise appears to contain material misstatements.

If, based on the work carried out with respect to this information, we conclude that there is a material misstatement in the other information, we are required to report this. We have nothing to report in this respect.

### Responsibilities of the board of directors and the chief executive officer (CEO)

The board of directors and the CEO are responsible for the preparation and fair presentation of the annual report and consolidated accounts in accordance with the Swedish Annual Accounts Act and, as regards the consolidated accounts, in accordance with IFRS, as adopted by the EU. The board of directors and the CEO are also responsible for such internal control as they deem necessary to enable the preparation of an annual report and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In their preparation of the annual report and consolidated accounts, the board of directors and the CEO are responsible for the assessment of the company's and the group's ability to continue operations. They disclose, where appropriate, information on conditions that may affect the ability to continue operations and to use the going concern basis of accounting. However, the going concern basis of accounting is not used if the board of directors and CEO intend to liquidate the company, discontinue operations, or do not have a realistic alternative to either of these actions.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual report and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual report and consolidated accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement in the annual report and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of the part of the company's internal control relevant to our audit 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 internal control.
- We evaluate the overall presentation, structure, and content of the annual report and consolidated accounts, including the disclosures, and whether the annual report represents the underlying transactions and events in a manner that achieves fair presentation.
- We conclude on the appropriateness of the board of directors' and the CEO's use of the going concern basis of accounting when preparing the annual report and consolidated accounts. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue operations. If we conclude that a material uncertainty exists, we are required to draw attention in the audit report to the related disclosures in the annual report and consolidated accounts or, if such disclosures are inadequate, to modify our opinion on the annual report and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company and the group to cease to continue operations.
- We evaluate the overall presentation, structure, and content of the annual report and consolidated accounts, including the disclosures, and whether the annual report

represents the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the board of, among other matters, the planned scope and timing of the audit. We also need to inform the board of significant audit findings, including any significant deficiencies in internal control that we have identified.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinion

In addition to our audit of the annual report and consolidated accounts, we have examined the administration by the board of directors and the CEO of TagMaster AB (publ) for the year 2022 and the proposed appropriation of the Company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated as proposed in the Directors' Report and that the members of the board and the CEO be discharged from liability for the financial year.

### Basis for opinion

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in greater detail in the section Auditor's responsibilities. We are independent in relation to the parent company and the group in accordance with generally accepted auditing standards in Sweden and otherwise have fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the board of directors and the chief executive officer (CEO)

The board of directors is responsible for the proposed appropriation of the company's profit or loss. Dividend proposals include an assessment of whether the dividend is justifiable considering the demands that the nature, scope, and risks of the company's and the group's operations place on the amount of the parent company's and

the group's equity, consolidation requirements, liquidity and financial position in general.

The board of directors is responsible for the organisation of the company and the management of its affairs. Among other things, this includes continuously assessing the company's and the group's financial position and ensuring that the company's organisation is designed such that controls of accounting records, asset management and the company's financial circumstances in general are performed in a satisfactory manner. The CEO must take charge of the day-to-day management in accordance with the board's guidelines and directives, including taking the necessary measures to ensure that the company's accounting records are complete according to law and that asset management is conducted satisfactorily.

#### Auditor's responsibilities

Our objective for the management audit, and thereby our statement on discharge from liability, is to obtain audit evidence to enable us to determine with reasonable assurance whether any member of the board or the CEO has, in any material respect:

- taken any action or been guilty of any negligence that may result in a claim for compensation being brought against the company, or
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the articles of association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to determine with reasonable assurance whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that may result in a claim for compensation being brought against the company, or that a proposal for appropriation of the company's profit or loss is inconsistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism through-

out the audit. The review of the management and the proposed appropriation of the company's profit or loss is largely based on the audit of the accounts. Any additional audit procedures performed are based on our professional assessment, with risk and materiality as the starting point. This means that our review focuses on such procedures, matters, and conditions that are material to the business and where deviation and infringement would have special significance for the company's situation. We go through and examine decisions taken, documentation supporting decisions, actions taken, and other conditions that are relevant to our statement on discharge from liability. As a basis for our opinion on the board of directors' proposed appropriation of the company's profit or loss, we examined whether the proposal is consistent with the Swedish Companies Act.

Stockholm, 23 March 2023  
Mazars AB

Anders Bergman  
Authorised Public Accountant

# Quarterly information

Amounts in SEK th.	2022 Oct.–Dec.	2022 July–Sept.	2022 Apr.–June	2022 Jan.–Mar.	2021 Oct.–Dec.	2021 July–Sept.	2021 Apr.–June	2021 Jan.–Mar.
Net sales	104,602	86,543	87,945	79,513	83,531	80,017	88,933	74,405
Growth in net sales, %	25.2	8.2	-1.1	6.9	23.2	12.7	29.2	-5.7
Growth in organic net sales, %	18.5	0.4	-10.2	-11.5	6.3	0.5	15.5	2.3
Gross profit	71,618	58,490	61,954	52,700	60,747	57,616	55,523	49,645
Gross margin, %	68.5	67.6	70.4	66.3	72.7	72.0	62.4	66.7
Adjusted EBITDA	14,677	5,215	8,012	-935	5,079	8,353	10,661	9,865
Adjusted EBITDA margin, %	14.0	6.0	9.1	-1.2	6.1	10.4	12.0	13.3
EBITDA	10,871	5,215	8,012	-935	5,079	8,353	10,811	9,865
EBITDA margin, %	10.4	6.0	9.1	-1.2	6.1	10.4	12.2	13.3
EBITA	7,498	2,250	5,417	-3,510	2,512	5,777	8,492	8,008
EBITA margin, %	7.2	2.6	6.2	-4.4	3.0	7.2	9.5	10.8
Operating profit/loss	2,552	-2,619	854	-7,892	-1,673	1,680	4,751	4,812
Operating margin, %	2.4	-3.0	1.0	-9.9	-2.0	2.1	5.3	6.5
Profit/loss before tax	2,991	-4,808	-1,391	-8,609	-2,809	794	4,159	4,604
Profit for the period	37,981	-4,521	-692	-8,614	-4,263	1,680	3,959	4,483
Basic earnings per share <sup>1</sup>	2.59	-0.31	-0.05	-0.59	-0.29	0.11	0.27	0.31
Diluted earnings per share <sup>1</sup>	2.59	-0.31	-0.05	-0.59	-0.29	0.11	0.27	0.31

## Financial position

Equity	252,229	221,166	210,971	195,362	199,937	199,002	192,730	192,504
Average equity	236,697	216,068	203,166	197,650	199,470	195,866	192,617	185,131
Equity ratio, %	60.9	56.1	55.1	53.0	54.4	52.1	49.2	57.9
Net debt	21,057	22,126	2,092	13,574	10,738	24,660	18,821	-6,154
Return on equity, %	16.0	-2.1	-0.3	-4.4	-2.1	0.9	2.1	2.4

## Per share data

Revenue per share, SEK <sup>1</sup>	7.14	5.91	6.00	5.43	5.70	5.46	6.07	5.08
Equity per share, SEK <sup>1</sup>	17.22	15.10	14.40	13.34	13.65	13.59	13.16	13.14
Share price at end of period, SEK	10.95	14.45	16.50	18.40	24.90	29.00	33.60	1.07
Restated share price at end of period, SEK <sup>1</sup>	10.95	14.45	16.50	18.40	24.90	29.00	33.60	26.75
Number of shares at end of period, thousands	14,648	14,648	14,648	14,648	14,648	14,648	14,648	366,188
Average number of shares, thousands <sup>1,2</sup>	14,648	14,648	14,648	14,648	14,648	14,648	14,648	14,648

## Employee information

Revenue per employee	850	690	682	591	605	567	729	692
Average number of employees	123	126	129	135	137	141	122	98
Number of employees at end of period	120	125	126	132	137	138	144	98

<sup>1</sup> Adjusted retroactively for the 1-for-25 share consolidation.

<sup>2</sup> The number of shares, basic and diluted, is the same since there are no options or convertibles outstanding that may give rise to dilution.

# Group's key performance indicators

Key performance indicators	Definition/calculation	Purpose
Gross margin	Net sales less costs of goods and services sold (gross profit), as a percentage of net sales.	The gross margin is used to measure production profitability.
Gross profit	Net sales minus costs of goods and services sold.	This key performance indicator is used in other calculations.
EBITDA	Operating profit (EBIT) before depreciation, amortisation and impairments.	EBITDA along with EBIT provide an overall picture of profit generated from operating activities.
EBITA	Operating profit before impairment of goodwill and amortisation of other intangible assets arising during acquisitions.	EBITA provides an overall picture of profit generated from operating activities.
Average number of shares	Weighted average number of shares at the end of the period.	This key performance indicator is used in other calculations.
Average number of employees	The total of number of employees per month divided by the number of months in the period.	This key performance indicator is used in other calculations.
Average equity	Average equity is calculated as the average of the opening and closing balances.	This key performance indicator is used in other calculations.
Adjusted EBITDA	EBITDA adjusted for non-recurring items.	This key performance indicator provides a picture of profit generated from operating activities.
Items affecting comparability	Income and expenses not expected to be incurred regularly	This key performance indicator is used in other calculations.
Net debt	Interest-bearing liabilities less cash and cash equivalents.	This key performance indicator is used to track the Company's indebtedness.
Net debt/EBITDA	Net debt at the end of the period divided by EBITDA, adjusted on a rolling twelve-month basis.	Net debt/EBITDA provides an estimate of the Company's ability to reduce its debt. It represents the number of years it would take to pay the debt if net debt and EBITDA are kept constant, without taking account of cash flows relating to interest, tax and investments.
Revenue per employee	Sales divided by the average number of employees.	This key performance indicator is used to assess the efficiency of a company.
Change in organic net sales	Change in net sales excluding increase due to acquisitions, translated at previous period's exchange rates, as a percentage of previous period's net sales. Net sales from acquired companies is included in the calculation of organic change from the first month falling 12 months after the acquisition date.	This key performance indicator gives a picture of the self-generated growth of the business.
Earnings per share, SEK	Profit for the period attributable to the shareholders in the Parent Company, divided by the average number of shares.	Earnings per share is used to determine the value of the Company's outstanding shares.
Return on equity	Profit for the year after tax attributable to the shareholders in the Parent Company, divided by average equity.	This key performance indicator shows the return that the owners receive on their invested capital.
Working capital	The total of inventories, trade receivables and other receivables, less trade payables and other payables.	This key performance indicator is used to manage and control the resources needed for the Company's operating activities.
Operating margin	Operating profit (EBIT) after depreciation, amortisation and impairments, as a percentage of net sales.	The operating margin is used to measure operating profitability.
Equity ratio	Equity as a percentage of the balance sheet total.	This key performance indicator measures the proportion of assets that are financed by equity. The assets that are not financed by equity are financed by loans.

#### Financial metrics not defined in accordance with IFRS

TagMaster presents certain financial metrics in the interim report that are not defined in accordance with IFRS or the Swedish Annual Accounts Act. The Company considers that these metrics provide valuable additional information to investors and the Company's management, as they enable evaluation of the Company's performance. Since not all companies calculate financial metrics in the

same way, these are not always comparable with metrics used by other companies. These financial metrics should therefore not be seen as a substitute for metrics defined in accordance with IFRS.

Metrics that are not defined in accordance with IFRS and reconciliation of the metrics are presented below.

		2022 Oct.–Dec.	2021 Oct.–Dec.	2022 Jan.–Dec.	2021 Jan.–Dec.
<b>A</b>	Net sales	104,602	83,531	358,603	326,886
	Change in inventories during manufacture and finished goods	1,633	-965	3,338	832
	Goods for resale, raw materials and consumables	-34,617	-21,819	-117,180	-104,186
<b>B</b>	<b>Gross profit</b>	71,618	60,747	244,761	223,532
<b>C</b>	Operating profit (EBIT)	2,552	-1,673	-7,105	9,570
	Amortisation of intangible assets attributable to acquisitions	-4,946	-4,185	-18,760	-15,219
<b>D</b>	<b>EBITA</b>	7,498	2,512	11,655	24,789
	Amortisation of other non-current intangible assets	-746	-796	-2,932	-2,977
	Depreciation of property, plant, and equipment	-2,627	-1,771	-8,577	-6,342
<b>E</b>	<b>EBITDA</b>	10,871	5,079	23,164	34,108
	Items affecting comparability	3,806	–	3,806	-150
<b>F</b>	<b>Adjusted EBITDA</b>	14,677	5,079	26,970	33,958
(B/A)	Gross profit margin, %	68.5	72.7	68.3	68.4
(C/A)	EBIT margin, %	2.4	-2.0	-2.0	2.9
(D/A)	EBITA margin, %	7.2	3.0	3.3	7.6
(E/A)	EBITDA margin, %	10.4	6.1	6.5	10.4
(F/A)	Adjusted EBITDA margin, %	14.0	6.1	7.5	10.4

Return on equity, %		2022 Oct.–Dec.	2021 Oct.–Dec.	2022 Jan.–Dec.	2021 Jan.–Dec.
(A)	Profit for the period	37,981	-4,263	24,154	5,858
(B)	Opening equity for the period	221,166	199,002	199,937	178,194
(C)	Closing equity for the period	252,697	199,937	252,229	199,937
D	Average equity	236,697	199,470	226,083	189,065
(A)/(D)	Return on equity, %	16.0	-2.1	10.7	3.1

Equity ratio, %		31/12/2022	31/12/2021
(A)	Equity	252,229	199,937
(B)	Balance sheet total	413,930	367,396
(A/B)	Equity ratio, %	60.9	54.4

Net debt		31/12/2022	31/12/2021
	Liabilities to credit institutions	48,282	52,358
	Lease liabilities	8,998	11,900
	Cash	-36,223	-53,520
(A)	Net debt (-) receivable	21,057	10,738
(A)/(E)	Net debt/adjusted EBITDA, multiple (rolling 12-month)	0.8	0.3

Working capital		31/12/2022	31/12/2021
	Inventories	50,753	36,570
	Trade receivables	75,201	62,738
	Other receivables	18,374	17,204
	Trade payables	-19,869	-14,569
	Other liabilities	-61,334	-53,291
(A)	Working capital	63,125	48,652

# Board of Directors


**Bernt Ingman**

Chairman since 2021

**Born:** 1954

**Shareholding:** 16,000 shares

**Education:** Master of Science in Business and Economics. Management training CEDEP/INSEAD, Fontainebleau

**Previously worked for:** Husqvarna, Munters, Gunnebo and Doro; Chairman of Beijer Ref AB, Pricer AB and SBC Sveriges BostadsrättCentrum AB

**Other Board appointments:** Handelsbanken local Kista branch (Chairman), Micro Systemation AB (Chairman)


**Liselott Lading**

Board member since 2022

**Born:** 1978

**Shareholding:** 0 shares

**Education:** Master Programme in Computer and Systems Science, Stockholm University

**Previously worked for:** Stråteq, Axis Communications and Resultify

**Other board assignments:** JS Security Technologies Group


**Gert Sviberg**

Board member since 2012

**Born:** 1967

**Shareholding:** 2,000,000 shares

**Education:** Marine Engineer  
Owns several companies and works as a property developer.

**Other Board appointments:** Viking Line


**Juan Vallejo**

Board member since 2019

**Born:** 1957

**Shareholding:** 0 shares

**Education:** Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm

**Previously worked for:** Imtech, Niscayah and Securitas

**Other Board appointments:** Elajo Invest AB, Fingerprint Cards AB, Mercuri International Group AB and Indoor Energy Group Nordic AB (Chairman)

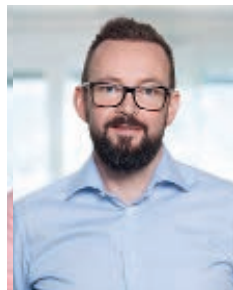
# Group Management



**Jonas Svensson**  
President and Chief Executive Officer  
**Born:** 1962  
**Employee since:** 2012  
**Shareholding:** 220,012 shares  
**Education:** Master of Science in Business and Economics, Lund University  
**Previously worked for:** Kinetico Inc. Smarteq Wireless, American Express, SEB, and Siemens



**Margaretha Narström**  
Chief Financial Officer  
**Born:** 1967  
**Employee since:** 2016  
**Shareholding:** 20,736 shares  
**Education:** Master of Science in Business and Economics, Karlstad University  
**Previously worked for:** Deloitte, JM and the Swedish Tax Agency



**Johan Franzén**  
Chief Technology Officer  
**Born:** 1971  
**Employee since:** 2005  
**Shareholding:** 16,000 shares  
**Education:** Master of Science in Engineering, Chalmers University of Technology, Gothenburg  
**Previously worked for:** Ericsson and Optillion



**Peter Gröntved**  
Vice President Sales – Parking/Access/Security  
**Born:** 1964  
**Employee since:** 2015  
**Shareholding:** 1,360 shares  
**Education:** Master of Science in Business Administration & Economics, Copenhagen Business School  
**Previously worked for:** Michelin, ASSA ABLOY, Grohe and ThyssenKrupp



**Marie Von Sydow**  
Vice President Operations  
**Born:** 1963  
**Employee since:** 2021  
**Shareholding:** 717 shares  
**Education:** Master of Science in Engineering, Lund University  
**Previously worked for:** ABB, Allgon, CashGuard and Envirotainer



**Brian Fuller**  
President & COO Sensys Networks  
**Born:** 1968  
**Employee since:** 2005 (Sensys Networks)  
**Shareholding:** 0 shares  
**Education:** B.Sc in Electrical Engineering, Pennsylvania State University  
**Previously worked for:** GoDigital Networks, Extreme Networks Inc., InnoMedia Inc., Lucent Technologies Inc.



**Amine Haoui**  
Vice President Strategic Business Development  
**Born:** 1955  
**Employee since:** 2003 (Sensys Networks Inc.)  
**Shareholding:** 0 shares  
**Education:** Ph. D. Electrical Engineering & Computer Science, University of California, Berkeley  
**Previously worked for:** TCSI, Diva Communications and Innomedia



**Peter Almgren**  
Marketing Director  
**Born:** 1968  
**Employee since:** 2019  
**Shareholding:** 0 shares  
**Education:** Master of Business Administration, Marketing & Organization, University of Stockholm  
**Previously worked for:** Trintech Inc., AdraSoftware A/S, Dagens Industri and Deltec Inc.

# Shareholder information

The 2022 Annual General Meeting (AGM) of TagMaster AB (publ), Corp. ID no. 556487-4534 will be held at Coor Konferens, Kista Science Tower, Färögatan 33, Kista, Greater Stockholm, at 15.00 CET on Tuesday 16 May 2023.

## Notice of the AGM

Notice of the Annual General Meeting will be issued no later than four weeks before the meeting is held, by an advertisement placed in the Official Swedish Gazette and on the Company's website, [www.tagmaster.com](http://www.tagmaster.com).

An advertisement will also be placed in the Svenska Dagbladet newspaper declaring that notice of the meeting has been given.

## Right to participate in the AGM

Shareholders wishing to participate in the meeting must:

- Be entered in the share register maintained by Euroclear Sweden AB on Monday, 8 May 2023;
- Notify TagMaster of their intention to participate by Wednesday 10 May 2023.

## Notification

Notification of intention to participate must be received by the Company no later than Wednesday, 10 May 2023, either by email to [aktie@tagmaster.com](mailto:aktie@tagmaster.com) or by letter to the following address: TagMaster AB, Kronborgsgränd 11, SE-164 46 Kista, Sweden, marked for the attention of Maria Bevin. Notification of intention to participate must state name, personal identity number or corporate identity number, address, phone number, number of shares and details of any assistants. Any documents such as a certificates of registration or powers of attorney must be enclosed with the notification. A proxy form is available for download from the Company's website, [www.tagmaster.com](http://www.tagmaster.com).

## Nominee-registered shares

Shareholders whose shares are held in trust by a bank or other nominee are entitled to attend the meeting as follows. In addition to registering, such shareholders must re-register their shares in their own name so that the shareholder is registered in the share register maintained by Euroclear Sweden AB as of the record date, Monday, 8 May 2023. Such re-registration may be temporary ("voting rights registration"). Shareholders wishing to register their shares in their own name must, in accordance with

the procedures of the respective trustee, request that the trustee make such registration. Voting rights registration requested by shareholders in time for the registration to be made by the trustee by Wednesday, 10 May 2023 will be taken into account in the preparation of the share register.

## Representative etc.

Shareholders wishing to participate via a representative must attach a written proxy to the form. The proxy will be valid for the period specified in the proxy, but for no longer than five years. If the proxy has been issued by a legal entity, a copy of the certificate of registration or equivalent for a legal entity, evidencing authority to issue the proxy, must be attached. A proxy form in Swedish or English is available for download from the Company's website, [www.tagmaster.com](http://www.tagmaster.com).

## Dividend

The Board of Directors proposes that no dividend be paid for 2022.

## Financial Calendar 2023

Interim Report for January–March	28 April 2023
Interim Report for January–June	14 July 2023
Interim Report for January–September	31 October 2023
Year-end Report 2023	2 February 2024

## Financial information

The Annual Report, interim reports, and other press releases are available on TagMaster's website, [www.tagmaster.com](http://www.tagmaster.com).

# Glossary

## AI

Artificial intelligence

## ANPR

Automatic Number Plate Recognition

## ATP

Automatic Train Protection

## AVI

Automatic Vehicle Identification

## CBTC

Communications-based train control

## CCTV

Closed Circuit Television

## DEEP LEARNING

Deep learning is the latest, very powerful, technology in machine learning based on algorithms that mimic artificial neural networks

## EMEA

Europe, the Middle East and Africa

## I2X

Infrastructure-for-everything is a technology that enables infrastructure (street lighting, traffic lights etc.) to communicate with moving objects in the road traffic system, such as vehicles, bicycles, pedestrians etc., by use of wireless communication

## Infomobility

Infomobility solutions aim to collect and distribute accurate real-time information regarding various traffic situations and traffic levels

## IoT

Internet of Things

## IR camera

Infrared Camera

## ITS

Intelligent Transport Systems

## MaaS

Mobility as a Service

## NASP

National ANPR Standards for Policing

## NRE

Non-Recurring Engineering

## OCR

Optical Character Recognition

## RFID

Radio Frequency Identification

**RAIN RFID**, a term for a part of RFID that is found in a number of frequencies and applications such as access systems, logistics, clothing theft, livestock marking, book marking. TagMaster operates within RFID and within two of these frequencies, one called RAIN RFID

## UHF

Ultra High Frequency

# ADDRESSES

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