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TagMaster

ANNUAL REPORT

16



2017 financial calendar

The Annual General Meeting will be held at Middlepoint, Kronborgsgränd 1, Kista, Sweden on Thursday, April 27, 2017 at 3:00 p.m.

Interim Report for January to March	April 27
Interim Report for January to June	July 14
Interim Report for January to September	October 27
Year-end Report	January 26, 2018

Financial information

The annual report, interim reports, and other press releases are available on TagMaster's website.

Dividend

The Board of Directors proposes that no dividends be paid for 2016.

Right to participate

Shareholders in TagMaster AB (publ), 556487-4534, who wish to participate in the Annual General Meeting must both be registered in the shareholder register kept by Euroclear Sweden AB no later than April 21, 2017 and have applied to attend in accordance with the procedure set out below.

Shareholders are entitled to bring one or two helpers to the Annual General Meeting if the company has been notified of this in accordance with the procedure set out below.

Application

An application to attend must be received by the company no later than April 21, 2017, either by email to aktie@tagmaster.se or by letter to the following address: TagMaster AB, Kronborgsgränd 11, SE-164 46 Kista, Sweden, marked for the attention of Maria Nordgren.

Please state your name, personal identity number or corporate identity number, address, and phone number, and name any helper(s) in the application. Any documents such as a certificate of registration or letter of proxy must be enclosed with this application.

A proxy form can be downloaded from the company's website, tagmaster.com.

Nominee-registered shares

In order to participate in the Annual General Meeting, shareholders who have elected to nominee-register their shares must temporarily register them in their own name with Euroclear Sweden AB. Any registration that normally takes a few days must be completed (registered with Euroclear Sweden AB) no later than April 21, 2017.

Notice of the meeting

Notice of the Annual General Meeting will be issued no later than four weeks before the meeting is held by placing an advertisement in the Official Swedish Gazette (PoIT) and on the company's website, tagmaster.com. An advertisement will also be placed in the Svenska Dagbladet newspaper declaring that notice of the meeting has been given.

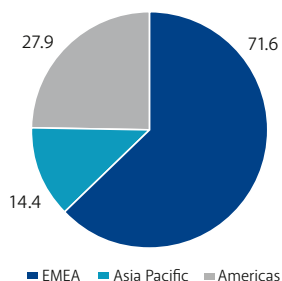
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TagMaster in brief

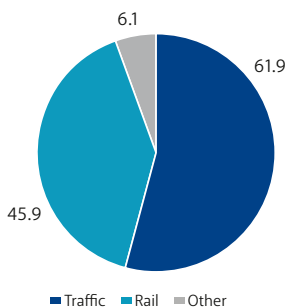
Smart Cities can be defined as cities aiming to improve quality of life by making use of digital technology to enhance city services and increase their efficiency, and by meeting people's needs in a better way.



SALES BY GEOGRAPHIC REGION, SEK M



SALES BY BUSINESS AREAS, SEK M



TagMaster develops and supplies advanced identification systems based on radio and vision technology for use in Smart Cities.

Due to rapid urbanization, there is ever more focus on the Smart Cities concept. It has become important to use smart solutions to make everyday life easier, safer, and more efficient for the general public. TagMaster's innovative solutions use RFID (Radio Frequency Identification) and ANPR (Automatic Number Plate Recognition) technology to optimize mobility and communication, which in turn creates safer communities, smoother traffic flows, and a healthier and more sustainable urban environment. TagMaster has been a trailblazer for the development of high-performance RFID products with a long reading range and ANPR technology for over two decades, and is one of the world's leading suppliers of advanced RFID and ANPR-based mobility solutions within traffic and rail.

Our products are well-known for their first-class quality, high performance, ease of use, and versatility. Their robust design means they are built to withstand extremely demanding environments, while also ensuring reliability, accuracy, and safety. TagMaster has offices in Sweden, the United Kingdom, and France plus agents in the United States and China, as well as a global network of system integrators and partners in Europe, the Middle East, and Asia.

TagMaster's solutions are offered through the group's brands TagMaster, CitySync and Balogh.

The year in brief

Net revenue increased by 44.2 percent to SEK 113.9 million (79.0) during the period. Operating profit (EBITDA) amounted to SEK 3.8 million (2.7), equivalent to an operating margin of 3.3 percent (3.4). Profit after tax amounted to SEK 4.2 million (3.2).

Q1

- ▶ Net revenue increased by 28.1 percent to SEK 24.6 million.
- ▶ Operating profit (EBITDA) amounted to SEK 2.0 million, equivalent to an operating margin of 8.2 percent.

Q2

- ▶ Net revenue increased by 10.4 percent to SEK 20.6 million in the second quarter.
- ▶ Operating profit (EBITDA) amounted to SEK -4.9 million, equivalent to an operating margin of -23.8 percent.
- ▶ CitySync launched a restructuring program including down-sizing and reorganization that charged SEK 3.0 million in costs to the quarter.

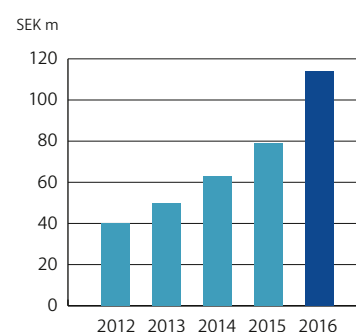
Q3

- ▶ Net revenue increased by 56.8 percent to SEK 28.6 million in the third quarter.
- ▶ Operating profit (EBITDA) amounted to SEK 1.7 million, equivalent to an operating margin of 6.0 percent.
- ▶ Acquisition of the Balogh Group with effect from August 30, 2016. This acquisition entailed TagMaster taking over a business with annual revenue of just under SEK 35 million.

Q4

- ▶ Net revenue increased by 75.5 percent to SEK 40.1 million in the fourth quarter.
- ▶ Operating profit (EBITDA) amounted to SEK 5.0 million, equivalent to an operating margin of 12.4 percent.
- ▶ Both CitySync and the newly acquired Balogh experienced a positive quarter and the parent company had its best quarter ever with an operating profit (EBITDA) of SEK 4.8 million.

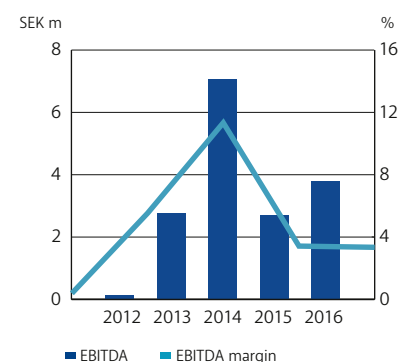
NET REVENUE



INCREASE IN NET REVENUE

44.2%

EBITDA, SEK M EBITDA MARGIN, %



A year of strong growth

2016 was a year of strong growth driven not only by good sales within Rail Solutions but also by the acquisition of Balogh SA, a measure which further reinforces our Rail segment. Sales increased by 44 percent to SEK 114 million, generating both a profit and positive cash flow. We also achieved our operating margin target of more than 12 percent in the fourth quarter.

The year in summary

Our work to turn around CitySync, which we acquired in 2015, has taken longer than planned, so we launched an additional cost-reduction program in Q3 to achieve the desired efficiency. We strengthened the sales team and since Q4 we have had a sales representative in the field every day selling an updated portfolio of products. During the course of 2017 we will be focusing on our sales efforts and continuing our work to develop innovative new products. CitySync has great potential for solid growth and at a good level of profitability in the future.

In August we completed the acquisition of the Balogh Group. This acquisition was preceded by preparatory work lasting nearly a year. Balogh had been under reconstruction since May 2015, which meant that we had to produce an official continuation plan that was finally approved by the Paris Commercial Court, giving the green light for the acquisition to go ahead. The good thing about this long process was that we became very familiar with the company and after the successful takeover went through we could begin our restructuring work right away. Balogh will strengthen our Rail segment and will also be a platform for our Traffic segment in the French market.

We intend to establish a center of excellence for rail solutions in France and consolidate our Swedish and French expertise so we can improve our product

offering for the leading players in rail signaling.

Our traditional Traffic segment saw static development in 2016. The margins for our major product groups are, however, continuing to develop in a positive direction. Our consistent commitment to innovation and product development has paved the way for improved margins. Our new products, which provide greater customer benefit, account for the majority of sales. To add further momentum to our growth, 2017 will see us invest in expanding our sales resources and implementing more marketing campaigns focusing on the customer.

Future prospects

We have made some progress in our plans to future-proof TagMaster – but there is still a lot to do if we are to ensure that we are relevant and successful. Innovation is the process we use for change and I am convinced that we have only seen the beginning of TagMaster's journey.

We are continuing to pursue what we call a strategy for growth and profitability. Our activities follow the strategic action plan and are focused on the four areas of commercial strength, customer-driven product development, operational improvement, and an expanded product offering.

Commercial strength will allow us to drive our growth through structured and planned sales man-



"Our Rail and Traffic Solutions segments help our customers to take advantage of existing infrastructure more efficiently."

agement where we focus on Rail Solutions and Traffic Solutions. Both these segments have basically the same drivers, such as urbanization, and thus the need to optimize both rail and road communications. The term Smart Cities has become a concept and is an important driver in the development of new solutions to improve communications.

Innovation drives our growth

Product innovation is fundamental to our growth and by virtue of customer-driven product development we are seeing a continuous flow of innovative products with greater customer value at a lower cost. This is how we will develop our business in the long term. 2016 saw us continue to launch new products in our UHF family and we will be launching additional family members in 2017. Under the CitySync brand we will be launching several new cameras and software applications with expanded analysis options in the next few years. The aim here is to address a larger market and in doing so increase our volumes. The focus of our product innovation is the customer's need for security, reliability, functionality, design, life cycle costs, and so on.

Operational improvement is driven mainly by our supply chain so that it can function for a growth company with the scalability that we want. Flexibility and efficiency are key when it comes to improving

supplier and contract manufacturer processes, and we make every effort to always look closely at our costs at every stage.

Our ambitious growth agenda is based on us continuously enhancing and expanding our product offering. Alongside this, we will keep making selective acquisitions to boost our attractiveness and competitiveness. We look forward to more acquisition opportunities arising in 2017 and will continue building our organization so that it is in an even better position to support our high growth ambitions.

Finally, I would like to thank all our employees as well as giving them the recognition they so richly deserve. For some of them, it has been a year with a lot of changes that were, however, entirely necessary for us to achieve profitability and growth. I would also like to thank our customers, shareholders, and partners for their continued confidence and loyalty.

We should all be delighted with the progress we have made in 2016. Now we are facing new and exciting challenges in the form of increasing our growth further still, and I feel optimistic that 2017 will play a role in making this a reality.

Jonas Svensson
Chief Executive Officer

A world undergoing rapid change

Economic and technological development is part of the reason why the world around us is undergoing major changes, something which also brings challenges and drivers for TagMaster's customers. TagMaster endeavors to participate in efforts to address these challenges through technological solutions that give a positive and lasting effect.

Trends in the world around us

Urbanization: The majority of population growth will take place in the cities of developing countries. This trend requires the cities to develop and dramatically expand their provision of housing, transport, and communications, as well as the supply of electricity and water. It is estimated that 70 percent of the world's population will live in cities by 2050 and that there will be some 100 megacities by this point in time (compared to the current figure of 22).¹

Environment & Sustainability: In the context of the issues outlined above, the environmental impact represents a huge challenge which must be addressed; one of the ways to do this is for more people to share fewer resources. It is said that there are currently approximately 900 million cars on the road, a figure that will increase by 35 percent over the next 10 years.² The cities are thought to account for, amongst other things, 75 percent of global energy consumption.

Digitalization: Digitalization affects all areas of society and this trend is developing rapidly. The number of connected devices (known as the Internet of Things, or IoT) and the use of cloud data storage will increase and technological developments will be a vital success factor for managing urbanization and creating climate-smart solutions.

Safety & Security: Unfortunately the cities can also attract crime, violence, and terrorism but technological development may be of help here too, in terms

of surveillance and analysis intended to both prevent and help resolve such issues. The market is demanding security solutions with advanced technology because this usually results in better security at a lower cost.

Smart Cities

Smart Cities, i.e. the digitalization of cities, is thought to be a solution to the many challenges presented by rapid urbanization. A smart city is a city with open senses; with sensors and detectors, it can see, hear, feel, smell, and taste digital information that contributes to a more caring, efficient, safe, and sustainable society. According to Cisco, one of the world's largest manufacturers of network equipment, there are already around five billion connected sensors in buildings, on rail networks, on roads, in hospitals, and so on. That figure will snowball, and those in the know usually talk in terms of there being 15–20 billion IoT sensors as early as 2022.³ Examples of Smart Cities functions can be anything from highly efficient public transport services (metro trains) whose routes are optimized based on traffic data to road lighting which is switched off whenever there is no traffic in the vicinity. Forecasters believe that the next revolution in the security industry will involve video analytics and artificial intelligence.

Intelligent Transportation Systems

We see them everywhere alongside roads, in cities, and at stations. ITS (Intelligent Transportation Systems) are a form of information technology that

1) United Nations, World Urbanization Prospects

2) IHS Automotive

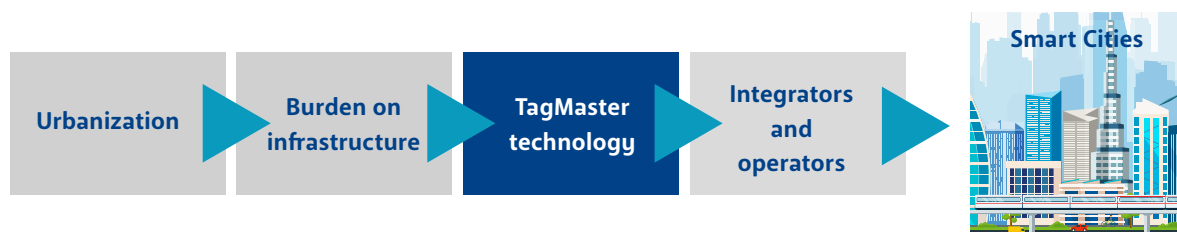
3) Cisco and WSP (digital security in the smart cities of the future)

4) Global Industry Analysts, ITA report April 2014

5) Transparency Market Research, Global Automatic Number Plate Recognition (ANPR) MARKET 2014–2020

6) Global Industry Analyst, Automatic Number Plate Recognition Systems February 2015

7) UNIFE World Rail Market Study 2016



contributes to a sustainable society. The development of ITS is helping travelers and increasing accessibility, while providing the ability to control traffic and transport services as well as make them more efficient. This new technology is also helping to increase traffic safety and reduce environmental impact.

With a clearer value proposition and greater focus on our well-defined applications, we are expanding our ambitions within Traffic Solutions.

Infomobility

Infomobility is a submarket of ITS in which different types of sensor products, such as radars, are used to capture information and data which are then processed in a variety of overall systems. The results can then be applied to make better use of existing traffic networks.

TagMaster's markets

TagMaster is helping to develop Smart Cities where people work with different sensor products, especially in two subsegments known as Traffic Solutions and Rail Solutions. There is a huge number of products and companies involved in this field and whose technology is used for solutions together with or sometimes in competition with TagMaster. These can be based on RFID and ANPR but also on other technologies. A clear presence on this market paves the way for new opportunities for growth, both organically and through future acquisitions.

The increasing level of urbanization is resulting in a great need to reduce congestion and pollution caused by this. Some studies indicate that a third of all congestion in cities is caused by drivers looking for parking spaces.

The subsegments in Traffic Solutions/ITS that we have chosen to focus on as being achievable are within parking management, electronic road toll systems, and infomobility. Together, these segments make up a market worth around USD 10 billion⁴ in which our detection and identification products are a small but necessary subcomponent that ensures the systems work. In addition to our products, the use of sensors, detectors, and radar technology is now providing the type of information that is a prerequisite for building so-called Smart Cities.

The ANPR market is estimated at USD 700 million^{5,6} and is projected to achieve strong growth with an annual factor of 12–15 percent depending on the application areas. The areas that are growing the most are parking, tolling services, security/monitoring, and traffic management; all of these are application areas where CitySync is active and product development is taking place.

The geographically largest markets are Europe and the United States, while the UK is the single largest market in Europe. France and the Benelux countries are projected to achieve higher growth as a result of the more sensitive security situation.

As far as TagMaster is concerned, the focus of the RFID market in Traffic Solutions is on parking and access solutions, an area where the company's products are both tried-and-tested and established, as well as on tolling services where the company intends to build market shares with new product launches. Our own assessment is that this market is growing by 5 to 8 percent each year.

With regard to Rail Solutions, TagMaster and Balogh are concentrating on signaling and automated train management systems, primarily for metro trains and trams. The company's solutions already have an established position in these applications, and there is

also room for growth here. Signaling (Rail Control) is a “niche market”, with annual revenue of approximately EUR 11 billion⁷ within the rail market, which largely consists of infrastructure and train systems. The signaling market is forecast to have annual growth of around 4 percent⁷ and is a focus area for the few players that exist in this market because the margins are higher than in the other areas and innovation is critical to success. Overall trends are the same as for Traffic Solutions and fully automatic (driverless) metro lines are expected to increase from the present figure of 550 km to 2,300 km by 2030.

TagMaster has diversified over the course of the year, a development that included acquiring Balogh, alongside further specification of its offering in this segment; besides products, the customer offering now also consists of engineering and service. The purpose of this “new” range of services is not to turn TagMaster into a consultancy company. The projects are always associated with the products the company supplies and clarify the valueadding element of the qualified support received by the company's customers, both to adapt the products for various new projects and the support received to incorporate and maintain good functionality.

In the grand scheme of things, TagMaster is a small player in a large market with good growth potential. Continued success depends on the company's ability to make the most of its opportunities.

Competitive situation

The RFID market has many players across the world. RFID has many different uses and a variety of technologies (frequencies) exist. TagMaster is active in a field with very demanding applications where performance is critical.

The key elements of these applications are as follows:

- Reading distance
- Reading speed
- Robust design
- Climatic resistance to rain, snow, and high and low temperatures
- Stress from electric and magnetic fields
- Dirty environment
- Mechanical stress from vibrations and shocks
- Reliability to safeguard safety and security under all these conditions.

The ANPR market also has many players located in many different countries. In some less complex applications, we are also competing with CCTV cam-

era manufacturers, although our main applications are subject to requirements which are not currently met by these manufacturers. Most of the performance indicators outlined above also apply to our ANPR products.

Our main competitors in the international market are small, specialist companies, as well as divisions or smaller subsidiaries of larger corporate groups. Competitors can be found in not only several European countries but also in the United States and Asia. In other words, we are talking about a highly fragmented market with many small players spread across the globe. This opens the door to interesting opportunities prior to consolidation within the sector.

TagMaster is one of the few organizations that works with both RFID and ANPR technologies, and that is why we envisage that future solution-oriented services will become increasingly important. Thanks to its clear focus on Traffic Solutions and Rail Solutions, TagMaster stands out from many of its competitors with a broader customer segment. To further improve the company's competitiveness, TagMaster annually invests approximately 16 percent of revenue in R&D.

In Rail Solutions, TagMaster is often competing against a different technology.

Company	Country	Traffic Solutions		Rail Solutions
		RFID	ANPR	
TagMaster		X	X	X
Nedap	Netherlands	X	X	
Kathrein	Germany	X		
STID	France	X		
Transcore	United States	X		X
Deister	Germany	X		
Capsys	France			X
Survision	France		X	
Genetec	United States		X	
ARH	Hungary		X	
Tattile	Italy		X	
HTS	Israel		X	
Inex Zamir	Israel		X	
Quercus	Spain		X	
Jenoptik	Germany		X	
3M	United States		X	
Q-free (Dacolian)	Norway		X	
Perceptics	United States		X	



Targets and strategy

TagMaster is today a growing and profitable company. Two acquisitions were completed in 2015 and 2016 respectively and both companies have now been restructured to lay the groundwork for making a profit in 2017. We are now ready to make the next acquisition so we can take further advantage of market growth and become a larger company.

No change in vision and strategy

Our vision and strategy have been discussed once again by the Board of Directors over the past year and there is no reason to change either. The vision is for TagMaster to play an important role in intelligent traffic solutions of the future, with products and solutions for Smart Cities.

We will continue to grow with a focus on Rail and Traffic, with this growth taking place organically and through supplementary acquisitions. By concentrating on Traffic Solutions and Rail Solutions, we have established our target market for success. By narrowing our focus, we have created the wherewithal for growing strong and possibly even becoming the leading player in these particular areas.

Strategy

By continuously developing new products, improving distribution, and by working actively and closely

with customers, TagMaster will achieve growth in the Traffic Solutions segment. By fostering and deepening good business relationships, the company will provide active support to existing customers within the Rail Solutions segment. Product development taking place in close cooperation with our customers is a very important ingredient here as well.

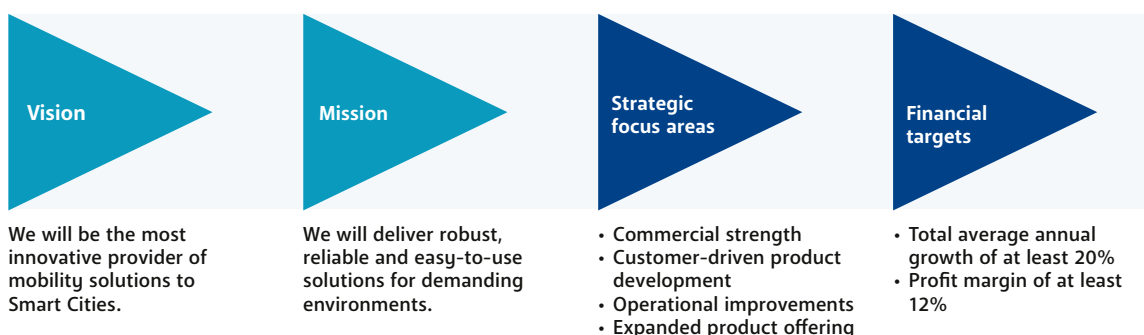
Organization and finances in place

Once the acquisitions were completed, we quickly established the organization of the group. This means that various vital functions are led collectively by a management team in Sweden who are responsible for Sales, R&D, and Finance and Administration working well and in a coordinated manner in all three countries and companies.

Since the second half of 2016, we have also had an experienced CFO in place who actively participates in



Product development in close cooperation with our customers is a very important ingredient.



the company's management. Our CTO is responsible for four R&D organizations in Sweden, Slovakia, the UK, and France. In a growing business there is room for skilled employees to flourish.

Our finances are still healthy after the acquisitions thanks to profitability and positive cash flow. However, we do feel that we will require additional injections of capital to enable us to make another slightly larger or a few smaller acquisitions.

Profitable business

TagMaster aspires to constantly improve profitability and its ability to increase earnings is partly the result of operating leverage at a higher volume. Our goal is to increase the level of profitability in 2017.

Growth

Our strategy and organization are proving themselves by demonstrating growth and profitability.

Additional growth

Additional growth will be achieved both organically and via acquisitions. The conditions for additional financing to handle growth through acquisitions are

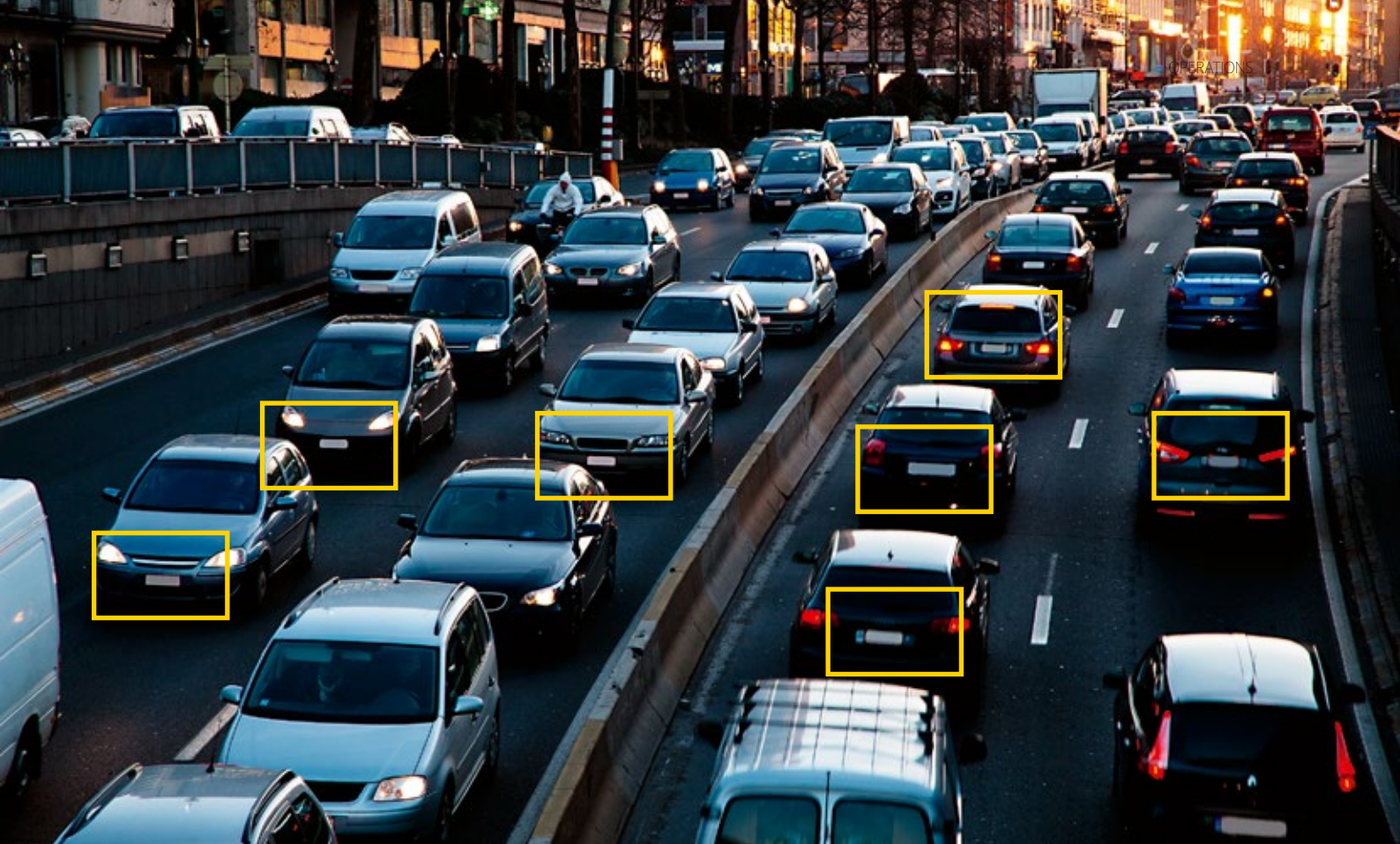
considered to be very good in light of the current valuation of the company.

Acquisitions

Acquisitions will be playing a more central role in TagMaster's growth strategy. These acquisitions help to strengthen the product portfolio, add expertise, and increase our presence in our focus markets. TagMaster will be more actively monitoring potential candidates for acquisition and focusing on companies that can add synergies. Candidates are evaluated from a financial, technological, and business perspective.

Targets

TagMaster must demonstrate annual growth of at least 20 percent per year calculated as an average over a five-year period. EBITDA must be at least 12 percent on average over the five-year period and cash flow should be positive. The financial performance in 2016 shows that we have fallen behind when it comes to the profitability target. This can be explained by the initial costs following the acquisition and which are naturally noticeable given the small size of our business.



Traffic Solutions

With a clearer value proposition and greater focus on our well-defined applications, we are expanding our ambitions within Traffic Solutions.

Operations and structure

TagMaster's business area Traffic Solutions is active and has established customer relationships throughout the world. At present we have our own offices in Sweden, the UK, France, and Malaysia as well as in the United States and China via partners. With more than 150 system integrators in more than 30 countries, there is a great deal of activity relating to products and solutions around the clock. The main reason for the rise in number of users and applications is that the company's solutions are highly reliable in demanding environments and the company also offers easy-to-install solutions with very low maintenance costs.

Parking structures, prioritization of public transport, and toll roads are examples of areas where TagMaster's AVI solutions (Automatic Vehicle Identification) have demonstrated their strength. Another important area is rail commuter and underground services as well as national rail traffic to measure position, automate speed checks, and keep track of rolling stock, not least to detect and address service

requirements in time and thus save on costs and reduce the risk of accidents.

Hardware and software

TagMaster and Balogh could be classed as mainly a hardware supplier, with core products comprising hardware and hardware-related software. In step with the product offering being diversified to include, for example, ANPR technology via CitySync, the software content is increasing and a lot of resources are being devoted to producing unique application software programs across all our business areas. In our ANPR section, the base product is a number of advanced algorithms that are used in conjunction with a special infrared camera.

Production

TagMaster's products are manufactured by selected contract manufacturers in different parts of the world, for the most part in Europe. Ongoing evaluation of the manufacturing units takes place on the basis of TagMaster's growth ambitions. This is not

THE VALUE CHAIN WITHIN TRAFFIC SOLUTIONS



Technology that collects data and provides analyzed information which can be acted on will be crucial in building the Smart Cities of the future.

done simply to ensure future production volumes; it is also used to build loyal relationships and establish reliable production planning. In an increasingly competitive market, it is even more important to ensure cost-effective manufacturing that enables TagMaster to offer innovative products at competitive prices at the promised times. In conjunction with the acquisition of Balogh in September 2016, TagMaster was also given access to a small dedicated manufacturing unit for rail products that is currently being restructured to form a smaller assembly unit. The company's strategy does not include owning in-house assembly and manufacturing units in the longer term.

Value chain

The companies that form the TagMaster Group are all technology providers that sell to different types of system integrators, which in turn build solutions that are then sold on to an end user or an operator. None of the companies act as an system integrator despite the fact that "subsolutions" are in ever greater demand by the larger system integrators. This trend is one of the drivers for TagMaster and many of the major projects revolve around being able to present, for example, solutions in which we combine our RFID technology with our ANPR technology.

Traffic Solutions

The Traffic Solutions segment is undergoing a transformation that will substantially increase our growth. Operations are run via the companies TagMaster and CitySync, and to a lesser extent via Balogh. TagMaster's sales network has historically consisted of a few major national partners, including a small number of traditional distributors and numerous integrators/installers within traffic, parking, security, and access control sectors. The business is characterized by small and mid-sized orders intended for individual projects. Over the last two years, there has been systematic work to supplement existing networks with more integrators/installers in

our strategic markets such as the Nordic countries, EMEA (Europe, the Middle East, and Africa), and the United States.

The intention here is to build up a much larger network of partners to support our growth ambitions. We also want to get closer to our partners and their markets so we can maximize participation and increase our level of expertise in our customers' applications and the future challenges and trends that await them.

After working more closely with our customers, we have come to the realization that we would like to broaden our product offering so we become a stronger and more stable partner. Among other things, this has resulted in continued work on further developing our new family of UHF products, which was launched in the first half of 2014. This wish has also formed the premise for the acquisition of CitySync in summer 2015 and the subsequent acquisition of Balogh in fall 2016, as well as the ambition to make future acquisitions.

Within the Traffic Solutions segment we mainly work in the following three application areas:

- Parking
- Security and access control
- Tolling services and Intelligent Transportation Systems (ITS)

Our target industries are transport, traffic, security, parking, airports, ports, mines, and chemical sectors and our offering is largely based on our extensive application knowledge and our technologically diverse offering of products (RFID, ANPR, etc.).

As the Traffic Solutions market grows, it is clear that many of our existing partners within this segment are on the lookout for suppliers who can deliver several of the technology components required to make intelligent traffic solutions possible, hence our ambition to broaden our range of technology.

TagMaster's products are key now that parking solutions with barriers are being globally replaced by free flow.



Parking

The parking market is currently undergoing a major change in that new technology and the use of apps and new payment systems have made it possible for new players to gain market shares. The major players in equipment such as barriers and ticket machines for parking systems have also traditionally been those providing the management system. The status quo is now changing and barriers are being replaced by ANPR cameras from CitySync and RFID readers from TagMaster, with customers being charged via new payment systems. People talk a lot about free flow parking, which is entirely based on ANPR technology identifying the vehicle when it enters and exits.

Security and access control

Security systems may comprise smaller systems whose sole task is to ensure that only authorized vehicles are permitted to enter a specific area in ports, business parks, etc. But it can also be a case of larger monitoring systems for cities or districts where ANPR technology (sometimes RFID technology) can be used to identify a vehicle and its driver and to trace where a car had been at specific times, a process which ultimately may be used to connect a specific vehicle to a specific crime. Major investments are being made in this type of technology across Europe for numerous reasons, one of these being to help prevent acts of terrorism.

Tolling services and Intelligent Transportation Systems (ITS)

Tolls are becoming more common throughout the world and the simple reason for this is that the financing of infrastructure (roads) should be borne by those who use the roads, i.e., the vehicles and their drivers. Other applications may be linked to environmental and health aspects in major cities. In some cities like Stockholm and London, ANPR technology is currently being used to identify and charge vehicles when they are driven into the city, for the primary purpose of

reducing traffic in the city center. A future application with the same environmental theme and the same technology is when the authorities want to identify vehicles with odd or even registration numbers as in Paris and London, to check whether a specific vehicle is permitted to be driven in the city at certain times. ANPR cameras are also used for purposes such as measuring timing between different points on a highway and monitoring bus lanes.

CitySync Ltd

The acquisition of CitySync in summer 2015 took place because we wanted to diversify our product offering for all the applications described above and to incorporate RFID and ANPR products, thus putting us in a position to offer "subsolutions" that differentiate us from most of our competitors. CitySync was a software company founded in 1997 which was one of the pioneers of ANPR technology in the UK. Britain has always been an early adopter and was one of the first countries to put this technology to use in both law enforcement and traffic management contexts.

To put it simply, the technology involves a camera taking several images of the vehicle's number plate, running a number of algorithms to "find" it, reading the plate, and then converting the image into letters and numbers. This takes place at lightning speed and with a very high level of precision. CitySync has one of the fastest OCR (Optical Character Recognition) algorithms on the market and can process over 200 images per second, as well as simultaneously reading eight plates that have been captured in a single image. Algorithms which can also bring up the vehicle make, model, and color are being tested, something which further confirms that the company is at the absolute cutting edge of technology.

The algorithms that CitySync work with are based on neural networks and artificial intelligence; there is a major focus on improving existing functions and developing services for new applications.

Rail Solutions

By focusing on implementing our business model with the three revenue streams engineering, product supply, and installation support, we will get closer to our customers and become a more vital part of their system offering.

Rail Solutions was the main focus over the year; we have also had record series deliveries and completed a major NRE project (Non-recurring Engineering). For a few years now, together with several of our customers, we have followed our expanded business model (engineering, product, and support) which we will continue to introduce to the majority of our customers. Operations are run via the companies TagMaster and Balogh.

TagMaster's robust products with a very high degree of built-in functionality are an excellent fit for the Rail Solutions segment, and what was initially started as a project in 2002 has today become a well-established business segment from which we also acquired one of our competitors, Balogh SA, in the course of the year.

The algorithms that we developed ourselves for critical applications such as positioning, axle counting, and door opening give us a strong value proposition for, among other things, signaling systems for

metro trains and trams. In 2015, we started a development project in partnership with several of our rail customers, the purpose of which is to produce a new RailTag which lasts twice as long. This is a functionality much in demand, given that all rail players prefer not to have to make many replacements or interfere with services during the lifetime of the projects, which in most cases is set to 25–30 years. The project has been slightly delayed, but test runs with customers have begun and the whole project is expected to be complete in the second half of 2017.

Sales in Rail Solutions are very much linked to projects. Every project is large and complex; it is complex in the sense that it requires a great deal of knowledge sharing between TagMaster and the customer, something which is necessary to take full advantage of the TagMaster technology. This is where the TagMaster team in Sweden work with the customer's engineers to achieve whatever the customer is looking for, which in many cases results in some technical adaptation or development work. This can be anything from minor adjustments to major non-recurring engineering (NRE) paid for by the customer. The customer base is limited, i.e., signaling system manufacturers, and our business model is based on building stronger relationships and running more joint technical projects. Our assessment is that more of these customers will spend more on technical development in the future, just like the automotive industry has already done for many years. Our expertise is a good match for the requirements they will set for external devel-

Basic illustration to show TagMaster's HD Reader installed under a train and RailTag between the tracks.





The London Underground network uses TagMaster's train positioning system to increase the frequency of services with more trains.

opment partners and our increasing size means we will be a safer partner.

In Rail Solutions, we work primarily in the field of signaling and automated train management systems for primarily metro trains and trams. We are currently focusing on a few application areas that we intend to broaden as we achieve success with existing solutions.

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

A new area that we intend to tackle in the medium term, now that we have acquired Balogh, is train management systems for long routes as well, i.e., commuter trains etc.

Balogh SA

The reason for the acquisition of Balogh in fall 2016 was that it meant we could diversify our product offering for all the applications outlined above and be able to tackle new applications. The combination of TagMaster and Balogh provides an exciting partner for the signaling system manufacturers with an

offering much broader than was possible as individual businesses. Balogh started in 1958 and was one of the pioneers of RFID technology, in particular for use in the manufacturing industry. Over the last 10 years, the company has made significant investments in its product portfolio for rail and for the past two years has reported more stable sales figures. At the time of the acquisition the company was being restructured, mainly to address a product portfolio that was too broad, primarily within the industrial segment. Following the takeover, the industrial segment has been minimized so that all the attention can now be focused on rail development. France is a prominent train nation and many of both TagMaster and Balogh's customers are based in the country. The process of integrating the rail portfolio of the two companies is in full swing and we are already seeing both our common and our individual customers expressing an interest in discussing new projects. TagMaster used to work mostly with applications for metro trains, which involved fewer, larger projects, while Balogh has largely worked with applications for trams, which meant smaller but more numerous projects, and together we have a much better distribution of projects. There is no doubt our ambition is to be the most innovative partner for our customers and to ensure that more projects are realized using our solutions.

Our employees

From the start of 2015 to the end of 2016, the number of R&D employees increased from eight people to 25. We currently have four R&D organizations which are located in Sweden, the United Kingdom, Slovakia, and France; they work closely with our customers on product development and innovation.

Core values

TagMaster's corporate culture is characterized by a strong spirit of innovation and short decision paths, as illustrated and confirmed by our core values:

- ▶ innovative
- ▶ customer-focused
- ▶ professional
- ▶ entrepreneurial
- ▶ committed

These core values form the basis for maintaining and enhancing a good corporate culture and will be crucial for how we act both internally and externally in our day-to-day operations.

Organization

TagMaster's organizational structure is based on the functions that can be found within the Group rather than the legal structure or where our employees live. The Group has the following functions:

- ▶ Sales
- ▶ Research and Development
- ▶ Operations
- ▶ Administration

The wholly owned subsidiaries in the UK and France have a local administration function that takes care of tasks requiring country-specific expertise such as reporting taxes and charges, legal financial reporting, and personnel-related matters.

A stronger organization

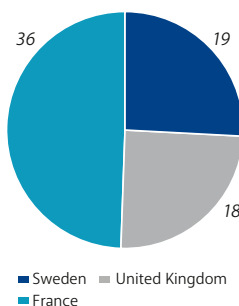
The two fairly recent acquisitions have resulted in the number of employees increasing by around 50 people, while several additional competent employees have also joined us to bolster innovation and implementation. R&D operations are now led by the Group's CTO, aided by local technical managers, from four organizations located in Stockholm, Stevenage, Zilina, and Toulouse.



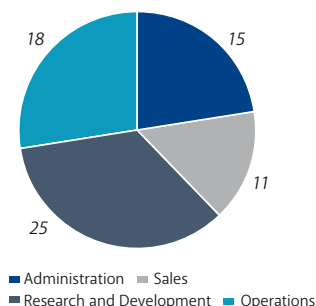
Mattias Edlund, Systems Architect

"I joined TagMaster in 2007 and have been involved in developing all the RFID products now in use. Back when I started at the company, TagMaster was a minor player that didn't have the structure we have today. Now we have the speed of a small company with the professionalism of a large company."

AVERAGE NO. OF EMPLOYEES BY COUNTRY



EMPLOYEES BY FUNCTION AT YEAR-END



We're looking forward to continued expansion

"TagMaster wants to be an active player in the development of Smart Cities in a fragmented market."



2016 was a very eventful year for TagMaster. City-Sync, which was acquired in 2015, took a little more time and effort than expected to turn into a profit. The additional downsizing and updating of the product range that started back in 2015 took longer than expected and also cost a little bit more, but the company is now in its rightful place in the organization. All this was happening alongside the preparations that began in 2015 and continued throughout the year ahead of the takeover of our competitor Balogh in the Rail Solutions segment. This finally took place at the end of August, adding valuable products and customers, including tram solutions, to Rail Solutions. The best way to sum things up is to say that Balogh was and is a name with a good reputation, but had become a company with extremely weak finances. Thanks to a solid customer base and good products, the company is already standing on its own feet within the Group after less than six months.

The fact that we have now turned CitySync around and that Balogh will soon follow means we have managed to make the company profitable in the final quarter of 2016 and also for the full year despite a difficult second quarter. We are now looking forward to continued expansion, not only organically thanks to our greater size but also through future acquisitions in our Smart Cities "business area" with an emphasis on Rail and Traffic.

We have high expectations of the organic growth now that we have three home markets: the Nordic countries, the UK, and France. We will have the complete product range represented in these markets and for all our sales forces. We also have a very effective presence in the United States experiencing good growth.

The large-scale Rail project is progressing well; we delivered the NRE element on time to everyone's

satisfaction and we have managed to make a lot of materials deliveries as well. The Traffic Solutions segment has seen generally low growth during the year, although this was somewhat unevenly distributed between regions. The Nordic region in particular has been a disappointment.

We expect to be in a position to make additional acquisitions in 2017. As we know, acquisitions always depend on supply and demand. The market for products for Smart Cities is still very fragmented and there are many interesting companies struggling with volume and profitability, which is why it is still possible to expect a number of potential candidates to emerge.

The management team was strengthened during the year with a CFO who has played a very active role, not least in making our French acquisition a reality. Our CTO has taken responsibility for R&D at all companies and been well received by these highly competent organizations. Management and staff have also performed well once again. Growth for the full year was 44.2 percent and EBITDA amounted to SEK 3.8 million. Operating cash flow was SEK 0.9 million for the full year.

So to sum up, 2016 was a good year. There is every chance that 2017 will also be eventful and exciting. It goes without saying that there are always uncertainties, and apart from potential acquisitions there are major world events like Brexit, the French presidential election, and a new president in the White House that may have an impact on our business and that of others. But so far nothing seems to have had such an effect.

Rolf Norberg
Chairman

Share information and shareholders

TagMaster's Class B shares are listed and traded on the Nasdaq First North exchange. The share was listed on July 3, 2000. TagMaster's Certified Adviser is Remium AB. The share price was SEK 1.13 on December 30, 2016, making the market value of the company SEK 189,642,000.

Share capital

As at December 31, 2016, the share capital amounted to SEK 8,391,219.55, divided between 167,824,391 shares with a face value of SEK 0.05. According to TagMaster's articles of association, the minimum share capital is SEK 5,000,000 and the maximum share capital is SEK 20,000,000 divided between at least 50,000,000 shares and no more than 200,000,000 shares. The 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 is entitled to one (1) vote. All shares have equal rights to a portion of the company's profit and assets.

Incentive scheme

At the Annual General Meeting held on April 23, 2015, a resolution was passed to implement a long-term incentive scheme for senior executives, key personnel, and other employees of the Group. The scheme is based on share warrants. Each warrant gives the holder the right to subscribe to a Class B share during the period from July 1, 2018 up to and including December 31, 2018. The exercise price is set at SEK 1.22, which is 140 percent of the average volume-weighted

price paid for the share listed on the Nasdaq First North exchange during the period June 11, 2015 up to and including June 18, 2015. On full accession and full exercise of the share warrants, the company's share capital may increase by a maximum of SEK 250,000 through the issue of a maximum of 5,000,000 shares. The maximum dilution effect of the incentive scheme amounts to about 3 percent of the total number of shares and votes in the company, assuming full subscription and full exercise of all warrants.

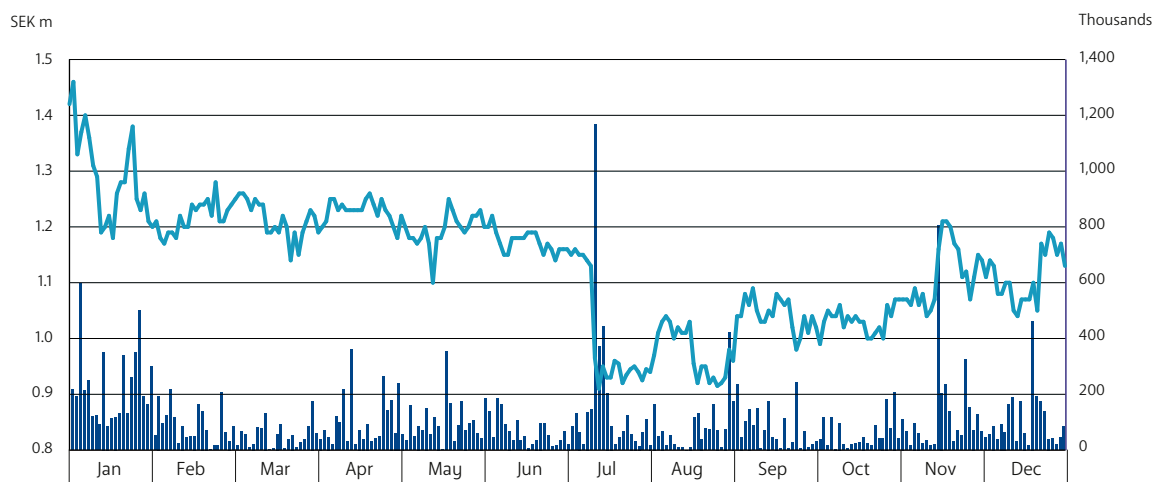
Dividend policy

The size of the future dividends depends on 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 appropriate in the near future.

Shareholders

The total number of shareholders as at December 31, 2016 was 2,129 compared to 1,884 the previous year. The 10 largest shareholders together held 67.7 percent of the share capital and the corresponding proportion of the votes.

SHARE PRICE MOVEMENT 2016



The company's largest shareholders

Shareholder	No. of Class B shares	Capital, %	Votes, %
Ålandsbanken AB, W8IMY (of which G. Sviberg holds 24,186,643 privately and through companies)	28,501,200	16.98	16.98
CTM Invest AB	20,000,000	11.92	11.92
LMK Ventures AB	17,000,000	10.13	10.13
The Hamilton/Lewenhaupt family including companies	16,732,485	9.97	9.97
Jan Westlund	9,023,240	5.38	5.38
Avanza Pension	6,897,584	4.11	4.11
Nordnet Pensionsförsäkring AB	6,441,740	3.84	3.84
Mikael Aronowitsch including companies and foundation	4,449,960	2.65	2.65
Credit Suisse AG Zurich	2,278,887	1.36	1.36
Banque Pictet & Cie SA	2,219,127	1.32	1.32
Total for 10 largest shareholders	113,544,223	67.66	67.66
Other	54,280,168	32.33	32.33
Total	167,824,391	100.00	100.00

Share capital development

Year	Event	Increase in no. of shares	Change 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 face value of the shares	–	1,530,000.00	2,000,000	15,000,000	1,700,000.00
1995	Conversion of promissory notes with option	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 option agreement	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	Targeted new share issue	17,000,000	850,000.00	–	167,824,391	8,391,219.55

Five-year summary

Income statement, SEK thousands	2016	2015	2014	2013	2012
Net revenue	113,892	78,975	62,505	50,196	39,616
Other operating income	544	47	47	148	64
Total income	114,436	79,022	62,552	50,344	39,681
Operating expenses	-110,629	-76,320	-55,468	-47,568	-39,527
Operating profit before depreciation and amortization (EBITDA)	3,807	2,702	7,084	2,776	154
Depreciation, amortization	-2,870	-1,365	-170	-93	-1,283
Operating profit/loss	937	1,337	6,914	2,683	-1,130
Net financial items	-432	-50	-174	-303	-4,336
Profit/loss before tax	505	1,287	6,740	2,380	-5,466
Tax	3,710	1,866	-1,512	-627	-
NET PROFIT/LOSS FOR THE YEAR	4,215	3,153	5,228	1,753	-5,466

Balance sheet, SEK thousands	2016	2015	2014	2013	2012
Intangible non-current assets	32,325	20,358	-	-	1,578
Property, plant, and equipment	948	1,028	92	262	257
Non-current financial assets	6,917	4,194	1,861	3,373	100
Inventories	22,099	14,372	6,807	6,010	5,777
Current receivables	33,331	17,390	11,688	12,027	6,550
Cash and bank balances	9,903	4,492	5,869	1,397	1,607
Total assets	105,523	61,834	26,317	23,069	15,869
Equity	45,707	44,059	13,493	8,265	4,090
Liabilities to credit institutions	8,567	-	-	3,119	1,760
Non-current liabilities	14,227	1,476	543	326	711
Current liabilities	37,022	16,299	12,281	11,359	9,308
Total equity and liabilities	105,523	61,834	26,317	23,069	15,869

Cash flow, SEK thousands	2016	2015	2014	2013	2012
Cash flow before changes in working capital	10,390	3,154	7,453	2,449	22
Cash flow from changes in working capital	-9,487	2,069	464	-3,658	-401
Cash flow from operating activities	903	5,223	7,917	-1,209	-379
Cash flow from investing activities	-4,034	-35,174	-	-99	-179
Cash flow from financing activities	8,670	28,619	-3,445	1,098	1,500
Cash flow for the period	5,539	-1,332	4,472	-210	942

Key performance indicators	2016	2015	2014	2013	2012
Net revenue, SEK thousands	113,892	78,975	62,505	50,196	39,616
Growth in net revenue, %	44.2	26.3	24.5	26.7	15.9
EBITDA margin, %	3.3	3.4	11.3	5.5	0.4
Operating margin, %	0.8	1.7	11.1	5.3	-2.9
Equity ratio, %	43.3	71.3	51.3	35.8	25.8
Return on equity, %	9.4	11.0	48.1	28.4	-100.8
Asset turnover ratio	2.3	2.7	5.0	5.8	6.3
Basic earnings per share, SEK	0.03	0.02	0.05	0.02	-0.05
Diluted earnings per share, SEK	0.03	0.02	0.05	0.02	-0.05
Average number of shares, thousands	167,824	144,712	107,732	107,732	102,695
Number of shares at end of period, thousands	167,824	167,824	107,732	107,732	107,732
Market price on closing day, SEK	1.13	1.47	0.63	0.50	0.40
Average number of employees	73	40	14	13	12

The figures for 2014 and previous periods relate to the parent company. Comparative figures for 2012 have not been adjusted in accordance with the general recommendation of the Swedish Accounting Standards Board, BFNAR 2012:1, which could mean a lack of comparability.

Directors' Report 2016

Operations

TagMaster and its subsidiaries ("the Group" or "TagMaster") develop, outsource the manufacture of, market, and sell products, readers, and tags in the microwave range (2.45 GHz) and in the UHF range (860–930 MHz). CitySync develops, outsources the manufacture of, and markets ANPR cameras and related software. ANPR software uses optical character reading (OCR) of e.g., number plates, and then converts an image into numbers and letters. Products in both these fields are intended for applications with stringent requirements for robustness and for use in demanding environments. The products can withstand heat, cold, snow, ice, rain, vibrations, dirt, electrical interference, radio-frequency interference, etc. TagMaster can also provide know-how on the use of RFID and ANPR. Together with knowledge of the technologies used, the Group also has experience of the many different applications in which the companies' products are already in use.

Typical application areas for the Group's products are:

- Access control for parking – either in independent parking systems or as part of an access control system including entrances and doors and for which another type of technology is used.
- Positioning of rail traffic (primarily underground systems and commuter trains) to position train units, increase the efficiency of train services, or provide passenger information.
- Prioritization of public transport vehicles at intersections and in reserved lanes.
- Electronic toll systems for identification and reading of vehicles to charge for road use.

Product development

Over the course of the year development resources have largely been devoted to the continued creation of new camera products and related software for the Traffic Solutions segment. There has also been intensive work to support Rail Solutions in the form of both NRE (non-recurring engineering) assignments and efforts to develop the portfolio in conjunction with the company's new market position following the acquisition of Balogh. The Development department consists of 25 people and is the company's single biggest cost item. The costs of product development

over the year amounted to just over 30 percent of the Group's other external costs and personnel costs.

Significant events during the year

The Balogh Group was acquired with effect from August 30. Balogh is one of the true pioneers of RFID technology and was founded in 1958. It has development and production offices in Paris, Toulouse, and Normandy. The Group operates in the three RFID segments of Rail, Access/Security (Traffic), and Industrial Automation.

Two of the companies in the Balogh Group had been under reconstruction since May 2015 (Redressement Judiciaire). The restructuring plan was approved by the Paris Commercial Court (Tribunal de Commerce de Paris) on July 27, 2016.

Change work at Balogh was begun after the acquisition to cut both personnel costs and other costs. Activities to narrow the company's wide product range and simplify business processes are underway.

The change work at CitySync, which is now complete in principle, has paid off and the new products such as CitySync 50, deliveries of which began during the fourth quarter, have been well received.

The subsidiary Balogh that was acquired during the year has also received an order for two tramway projects in China.

Expected future developments

The outlook remains unchanged, with the company having excellent opportunities for growth in both Traffic Solutions and Rail Solutions. The Group's market shares are still small in a large and growing market, meaning that future growth primarily depends on the company's own capacity to perform. The Group will, however, see periods in the future when growth in sales and profit momentarily stops due to the fact we are investing for future growth, which means that the costs will be higher than revenue. To meet market demand and aspire to the position as a market-leading provider of advanced RFID and ANPR solutions, the Group will continue developing and promoting innovative products, refining and expanding existing partner networks, and recruiting additional competent personnel. We can see that our core business, i.e., advanced vehicle identification technol-

ogy for demanding customers within Rail and Traffic, is profitable and we will continue to actively look for products, partners, and companies which can perfect our offering to the market in different ways, particularly within Traffic Solutions. As a consequence, TagMaster will continue the work to actively identify additional candidates for selective acquisitions in related technology areas such as sensors, detectors, and other identification technology with the aim of expanding our product offering and becoming a more attractive provider of this type of information, something which is a prerequisite for building the Smart Cities of the future.

Revenue and profit

An increase in sales primarily attributable to the parent company's rail business and to the acquired operations was noted during the year. Net revenue amounted to SEK 113.9 million (79.0), a rise of 44.2

percent. Operating profit (EBITDA) amounted to SEK 3.8 million (2.7), equivalent to an operating margin of 3.3 percent (3.4).

Costs came to SEK 26.1 million (18.2). The general increase is attributable to TagMaster's greater size following the acquisition of Balogh. No capitalization of direct development work has taken place.

Cash flow and financial position

As at December 31, 2016, available liquidity was SEK 21.9 million (12.5) of which bank overdraft facilities constituted SEK 12.0 million (8.0). The equity ratio at the end of the period was 43.3 percent (71.3). Operating cash flow for the full year amounted to SEK 0.9 million (5.2).

Trade receivables amounted to SEK 22.2 million (14.8) while trade payables came to SEK 10.6 million (6.0). Inventories amounted to SEK 22.1 million (14.4). The explanation for the relatively large increase in

Group

Five-year summary (SEK thousands)	2016	2015
Net revenue	113,892	78,975
Operating profit before depreciation and amortization	3,807	2,702
Profit after financial items	505	1,287
Balance sheet total	105,523	61,834
Equity ratio, %	43.3	71.3
Average number of employees	73	40

No comparative figures exist for previous periods since the Group was formed in 2015.

Parent company

Five-year summary (SEK thousands)	2016	2015	2014	2013	2012
Net revenue	79,837	66,468	62,505	50,196	39,616
Operating profit before depreciation and amortization	10,610	7,713	7,084	2,776	154
Profit after financial items	10,019	7,310	6,740	2,380	-5,466
Balance sheet total	86,476	63,462	26,317	20,406	15,869
Equity ratio, %	72.9	80.5	51.3	27.5	25.8
Average number of employees	19	16	14	13	12

Comparative figures for 2012 have not been adjusted in accordance with the general recommendation of the Swedish Accounting Standards Board, BFNAR 2012:1, which could mean a lack of comparability.

inventories and other current assets is that Balogh is now included in the figures and that sales were high in the fourth quarter.

Parent company

The parent company reported revenue of SEK 79.8 million (66.5). EBITDA for the period amounted to SEK 10.6 million (7.7) with profit after tax of 12.0 million (9.2). The parent company had an average of 19 (16) employees.

Personnel

The average number of employees was 73 (40), with women making up 33 percent (20) of this figure. At the end of the year, the company had 69 (39) employees. The number of staff at CitySync Ltd has fallen by 17 full-time employees since the takeover in 2015. As at December 31, Balogh has 34 employees, a number which will fall over the next year.

Option program

TagMaster launched the 2015/2018 staff option program comprising five million warrants in 2015. Every option holder is entitled to subscribe to one new Class B share in TagMaster for each warrant they hold. The exercise price is set at SEK 1.22, which is 140 percent of the average price for the measurement period at the time the program was established.

Shareholders

TagMaster AB (publ.) is listed and its shares are traded on the First North market. TagMaster's Certified Adviser is Remium AB. The number of TagMaster shareholders as at December 31, 2016 was 2,129 (1,884). At the end of the year the following shareholders held more than 10 percent of the number of shares in the company:

	No. of shares	Holding, %
Ålandsbanken AB, W8IMY (of which G. Sviberg holds 24,186,643 privately and through companies)	28,501,200	16.98
CTM Invest AB	20,000,000	11.92
LMK Ventures AB	17,000,000	10.13

Appropriation of profits

Proposed appropriation of profits, SEK

The following earnings in the parent company are at disposal of the AGM (in SEK):

Retained earnings	42,452,406
Net profit for the year	11,983,909
Total	54,436,315

The Board proposes that:

balance remaining in retained earnings	54,436,315
Total	54,436,315

Risks and risk management

Operational risks

Customers and partners

The Group has numerous large and small partners in more than 30 countries. These partners are made up of distributors, resellers, and integrators. The largest partner in 2016 accounted for 23 percent of total sales with the five largest together accounting for 45 percent. The loss of a significant partner can thus have major consequences for the Group, although since the Group has grown both organically and through acquisitions, this means that there are opportunities to compensate for any losses through new and existing partners in our new home markets.

Suppliers

The majority of the Group's production and logistics is outsourced, giving great flexibility in the production flow in terms of both capacity and costs. This does, however, mean that TagMaster is dependent on a small number of suppliers to realize deliveries and achieve sales. As a short-term method of managing the risk of an adverse effect on sales caused by delivery problems, the Group keeps a certain amount of components and finished products in stock.

Personnel

TagMaster is dependent on key personnel, and should any of these people leave the Group, this would have negative consequences in the short term. The Group's ability to attract and retain qualified and motivated staff is considered to be good, given that TagMaster is an attractive employer with interesting and challenging technology and an international market presence.

Product liability

Claims being brought due to malfunction or any of the Group's products causing unexpected damage cannot be ruled out. Our customers receive clear information via product specifications and data sheets in order to avoid malfunction or other damage occurring. The products undergo testing and there are procedures 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. If these costs exceed the level of insurance cover, this may have consequences for the Group's financial situation.

Intellectual property rights

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. These patents relate to some of the core functionality of our products and the names TagMaster, Balogh, and CitySync are registered trademarks.

Financial risk management

The financial risks can primarily be divided into the following categories: market risk (including currency risk, interest rate risk, and price risk), credit risk, and liquidity risk.

Market risks

Acquisitions and integration

One element of the Group's strategy is to work actively on acquiring companies and businesses. Strategic acquisitions will be part of our future growth strategy. Yet there is no guarantee that we will find suitable acquisition targets; nor are there any assurances that the financing necessary for any future acquisition candidates can be obtained. Completing acquisitions involves a number of risks. The acquired company's relationships with customers, suppliers, and key personnel may be adversely affected. There is also a chance that integration processes might be more costly or more time-consuming than expected, and that the anticipated synergies do not materialize at all or only in part. Managing this risk means assessing potential acquisition targets based on financial, technical, and commercial aspects. The potential of the candidates to strengthen the Group's product portfolio and possible synergies are taken into particular consideration.

Market economy situation

Future sales depend on the general market situation, the customers' situation, and on new technology. These factors can have both a positive and a negative effect on the Group's sales. Fortunately, however, TagMaster's customers are spread over a wide geographic area and based in two separate business areas, Rail and Traffic, which means that a decline in one market may be partly offset by an increase in sales in another.

Competition

Companies of all sizes are active in both the RFID and ANPR fields, and competition is stiff. Technical development is at a rapid pace and the major players are able to make substantial investments and introduce new, competitive technology. Even new companies with new technology and low prices can become established in the field and make TagMaster seem less competitive. To satisfy increasing levels of technical competition and to come up with competitive products for the future, research and development operations have been strengthened and streamlined in Kista and the Group's other development units in Stevenage, Zilina, and Toulouse.

Currency risk

This refers to 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 balance sheet exposure. Transaction exposure concerns currency risk attributable to the Group's payment flows in foreign currency. Approximately 93 percent (87) of the Group's sales in 2016 was in a currency other than SEK. Of the total external purchases (goods for resale and other external costs), approximately 59 percent (64) were made in foreign currency. Price clauses are included in sales agreements to reduce the risk of there being an adverse effect on the Group's financial performance and position due to currency fluctuations. For the same reason, every effort is made to achieve a balance between the selling currency and buying currency.

Balance sheet exposure is the risk the Group is exposed to when balance sheet items are translated into foreign currency and when foreign subsidiaries' income statements and balance sheets are translated into the Group's presentation currency (SEK).

Interest rate risk

The Group's interest rate risk is primarily associated with interest-bearing liabilities, which amounted to SEK 8,567,000 on the balance sheet date and have a variable interest rate.

Price risk

Price risk arises when the Group's costs increase as a result of our suppliers of goods and services raising their prices. Production is split between a small number of suppliers, and through long-term relations we ensure the prices we pay are adjusted to the market conditions.

Credit risk

Historically, the Group's credit losses have been low. The customers are, however, based in several countries with differing payment cultures. This has led to longer terms of payment and thus a higher credit risk. There are procedures in place to check and follow up on the financial situation of new and existing customers in order to manage the risk of bad debt. A customer credit insurance policy covers most customers, and if the credit rating is not considered sufficiently high then payment in advance is required before delivery.

Liquidity and financing risk

The Group is always working to improve its liquidity and has overdraft facilities in place to offset the liquidity risk. As at December 31, 2016, available liquidity was SEK 21,903,000 of which bank overdraft facilities constituted SEK 12,000,000.

The available liquidity is deemed sufficient to satisfy the Group's known future commitments. Further capital injections may, however, be necessary if we are to achieve the Group's growth ambitions through acquisitions. It is thus probable that the Board of Directors will propose new share issues in the future.

Consolidated Income Statement

Amounts in SEK thousand	Note	2016	2015
Operating income etc.			
Net revenue	3	113,892	78,975
Other operating income	5	544	47
Total operating income		114,436	79,022
Operating expenses			
Goods for resale	6	-43,936	-32,582
Other external costs	8, 9	-26,074	-18,231
Personnel costs	6, 10	-35,897	-25,507
Other operating expenses	7	-4,723	-
Operating profit before depreciation and amortization		3,807	2,702
Depreciation/amortization of property, plant, and equipment and intangible non-current assets		-2,870	-1,365
Operating profit after depreciation and amortization		937	1,337
Profit/loss from financial investments			
Other interest income and similar items	11	4	-
Interest expenses and similar items	12	-436	-50
Total financial items		-432	-50
Profit after financial items		505	1,287
Tax on net profit for the year	13	3,710	1,866
Net profit for the year		4,215	3,153
Attributable to			
Shareholders in the parent company		4,215	3,153
		4,215	3,153
Basic earnings per share		0.03	0.02
Diluted earnings per share		0.03	0.02
Number of shares, average		167,824,391	144,711,821
Number of shares, end of period		167,824,391	167,824,391

Consolidated Balance Sheet

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Intangible non-current assets			
Goodwill	14	32,325	20,358
Total intangible assets		32,325	20,358
Property, plant, and equipment			
Land and buildings	15	0	–
Leasehold improvements	16	462	757
Equipment, tools, fixtures and fittings	17	486	271
Total property, plant, and equipment		948	1,028
Non-current financial assets			
Deferred tax assets	20	5,291	4,194
Other non-current receivables	21	1,626	–
Total non-current financial assets		6,917	4,194
Total non-current assets		40,190	25,580
Current assets			
Inventories			
Finished products and goods for resale		22,099	14,372
Total inventories		22,099	14,372
Current receivables			
Trade receivables		22,165	14,786
Other receivables	22	8,425	907
Prepayments and accrued income	23	2,741	1,697
Total current receivables		33,331	17,390
Cash and bank balances		9,903	4,492
Total current assets		65,333	36,254
TOTAL ASSETS		105,523	61,834

Consolidated Balance Sheet

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Equity	24		
Share capital		8,391	8,391
Capital contributions		95,409	95,239
Other equity		-62,308	-62,724
Net profit for the year		4,215	3,153
Total equity		45,707	44,059
Provisions			
Other provisions	25	2,317	1,476
Total provisions		2,317	1,476
Non-current liabilities	26		
Liabilities to credit institutions	28	8,567	–
Other liabilities		11,910	–
Total non-current liabilities		20,477	–
Current liabilities			
Trade payables		10,594	6,042
Other liabilities	30	7,930	1,400
Accruals and deferred income	31	18,498	8,857
Total current liabilities		37,022	16,299
TOTAL EQUITY AND LIABILITIES		105,523	61,834

Consolidated statement of changes in equity

Amounts in SEK thousand	Share capital	Other contributed capital	Other equity incl. net profit/loss for the year	Total equity
Amount at start of year, 01/01/2016	8,391	95,239	-59,571	44,059
Option premiums received		170		170
Translation difference for the year			-2,737	-2,737
Net profit for the year			4,215	4,215
Amount at end of year, 12/31/2016	8,391	95,409	-58,093	45,707

Consolidated statement of cash flow

Amounts in SEK thousand	Note	2016	2015
Operating activities			
Operating profit/loss		937	1,337
Adjustments for non-cash items	32	9,885	1,867
Interest paid		-432	-50
Operating cash flow before changes in working capital		10,390	3,154
Cash flow from changes in working capital			
Reduction (+)/increase (-) in inventories		-3,262	532
Reduction (+)/increase (-) in operating receivables		-2,931	842
Reduction (-)/increase (+) in operating liabilities		-3,294	695
Operating cash flow		903	5,223
Investing activities			
Acquisition of net assets in Group companies		-4,053	-35,174
Change in non-current receivables		19	-
Investing cash flow		-4,034	-35,174
Financing activities			
New financial liabilities		10,000	-
Repayment of financial liabilities		-1,500	-
New share issue		-	27,922
Warrant issued		170	697
Financing cash flow		8,670	28,619
Cash flow for the year		5,539	-1,332
Cash and cash equivalents at start of year		4,492	5,869
Exchange rate differences in cash and cash equivalents		-128	-45
Cash and cash equivalents at end of year	33	9,903	4,492

Parent company income statement

Amounts in SEK thousand	Note	2016	2015
Operating income etc.			
Net revenue	3, 4	79,837	66,468
Other operating income	5	495	46
Total operating income		80,332	66,514
Operating expenses			
Goods for resale	6	-31,363	-28,472
Other external costs	8, 9	-17,382	-12,830
Personnel costs	10	-20,977	-17,499
Operating profit before depreciation and amortization		10,610	7,713
Depreciation of property, plant, and equipment		–	-92
Operating profit after depreciation and amortization		10,610	7,621
Profit/loss from financial investments			
Other interest income and similar items	11	67	0
Interest expenses and similar items	12	-658	-311
Total financial items		-591	-311
Profit after financial items		10,019	7,310
Appropriations			
Group contributions received		867	–
Total appropriations		867	–
Profit/loss before tax		10,886	7,310
Tax on net profit for the year	13	1,098	1,866
Net profit for the year		11,984	9,176

Parent company balance sheet

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Non-current financial assets			
Participations in Group companies	18	40,428	35,224
Receivables from Group companies	19	12,454	2,847
Deferred tax assets	20	5,291	4,194
Total non-current assets		58,173	42,265
Current assets			
Inventories			
Finished products and goods for resale		9,819	8,405
Total current assets		9,819	8,405
Current receivables			
Trade receivables		12,390	7,891
Receivables from Group companies		867	–
Other receivables	22	1,613	895
Prepayments and accrued income	23	1,461	1,016
Total current receivables		16,331	9,802
Cash and bank balances		2,153	2,990
Total current assets		28,303	21,197
TOTAL ASSETS		86,476	63,462

Parent company balance sheet

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Equity	24		
Restricted equity			
Share capital		8,391	8,391
Statutory reserve		216	216
Total restricted equity		8,607	8,607
Unrestricted equity			
Share premium reserve		25,385	25,385
Retained earnings		17,067	7,891
Net profit for the year		11,984	9,176
Total unrestricted equity		54,436	42,452
Total equity		63,043	51,059
Provisions			
Other provisions	25	2,093	1,043
Total provisions		2,093	1,043
Non-current liabilities	26		
Liabilities to credit institutions	28	8,500	–
Total non-current liabilities		8,500	–
Current liabilities			
Trade payables		5,040	4,829
Other liabilities	30	394	422
Accruals and deferred income	31	7,406	6,109
Total current liabilities		12,840	11,360
TOTAL EQUITY AND LIABILITIES		86,476	63,462

Parent company statement of changes in equity

Amounts in SEK thousand	Share capital	Statutory reserve	Share premium reserve	Other equity incl. net profit for the year	Total equity
Amount at start of year, 01/01/2016	8,391	216	25,385	17,067	51,059
Net profit for the year				11,984	11,984
Amount at end of year, 12/31/2016	8,391	216	25,385	29,051	63,043

Parent company statement of cash flow

Amounts in SEK thousand	Note	2016	2015
Operating activities			
Operating profit/loss		10,612	7,622
Adjustments for non-cash items	32	1,056	592
Interest received		0	0
Interest paid		-321	-50
Operating cash flow before changes in working capital		11,347	8,164
Cash flow from changes in working capital			
Reduction (+)/increase (-) in inventories		-1,414	-1,598
Reduction (+)/increase (-) in operating receivables		-5,662	1,886
Reduction (-)/increase (+) in operating liabilities		1,479	-921
Operating cash flow		5,750	7,531
Investing activities			
Acquisitions of subsidiaries		-5,204	-35,224
Change in non-current intra-Group receivables		-9,883	-3,108
Investing cash flow		-15,087	-38,332
Financing activities			
New financial liabilities		10,000	-
Repayment of financial liabilities		-1,500	-
New share issue		-	27,922
Financing cash flow		8,500	27,922
Cash flow for the year		-837	-2,879
Cash and cash equivalents at start of year		2,990	5,869
Cash and cash equivalents at end of year	33	2,153	2,990

Notes

Amounts in SEK thousand unless otherwise specified

Note 1 • Accounting policies and valuation principles

The Swedish Annual Accounts Act and the general recommendation of the Swedish Accounting Standards Board BFNAR 2012:1 (K3) are applied when preparing financial reports.

Accounting currency

The annual financial statements have been prepared in Swedish kronor, and the amounts are stated in thousands of Swedish kronor (SEK thousand) unless otherwise specified.

Consolidated financial statements

The consolidated financial statements include the parent company and the subsidiaries in which the parent company, either directly or indirectly, holds more than 50% of the votes or in any other manner exercises a controlling influence. The consolidated financial statements have been prepared using the acquisition method, whereby equity in the subsidiaries at the date of acquisition is eliminated in its entirety. Consolidated equity thus only includes the portion of the subsidiaries' equity that accrued after the acquisition.

If the consolidated acquisition cost of the shares exceeds the value of the company's net assets stated in the acquisition analysis, the difference is recognized as consolidated goodwill. This value is amortized from a Group perspective over a period of up to 10 years. The rate of amortization is based on the long-term strategic importance of the acquisitions to the Group.

Intercompany gains between Group companies are eliminated in full.

The current method is applied for the translation of foreign subsidiaries. This means that balance sheets are translated at the closing exchange rate and income statements are translated at the period's average exchange rates. The translation differences are thereby recognized directly against equity.

Participations in Group companies

In the parent company, participations in Group companies are initially recognized at the cost of acquisition, including any transaction costs that are directly attributable to the acquisition of these participating interests. Issue premiums and shareholder contributions are added to the cost of acquisition. Should the fair value be lower than the carrying amount, the participating interests are written down to the fair value if the decrease in value can be assumed to be permanent.

Statement of cash flows

The statement of cash flows has been prepared using the indirect method, whereby adjustment has been made for transactions that do not involve incoming and outgoing payments. In addition to cash and bank balances, the following items are also classified as cash and cash equivalents: funds in the Group account and short-term liquid investments that can easily be converted into a known amount and which are exposed to an insignificant risk of value fluctuations.

Valuation principles etc.

Assets, provisions, and liabilities are valued at cost of acquisition, unless otherwise specified below.

Revenue recognition

Revenues relating to the sale of goods are recognized when the significant risks and benefits associated with ownership of the goods have passed to the buyer and when the amount of revenue can be reliably measured.

Service assignments are recognized as revenue as and when the work is performed.

Capitalized development expenditure

The Group applies the expensing method.

Property, plant, and equipment and intangible assets

Property, plant, and equipment and intangible assets are recognized at cost less depreciation according to plan based on an assessment of the assets' useful life. The following depreciation periods are applied for both the parent company and Group companies.

Goodwill	10 years
Equipment	3–5 years
Leasehold improvements	Over the length of the contract

Goodwill is amortized over 10 years based on the view that the acquisitions to which the asset is attributable will generate benefits for at least this time. The investments are long-term with the intention of expanding internationally and diversifying the product offering.

Borrowing costs

Borrowing costs are charged to the income statement for the year to which they relate.

Leases

Leasing agreements are classified as either financial or operating leases. Financial leases exist when the economic risks and benefits associated with the leasing object in all materiality have been transferred to the lessee. Otherwise, they will be operating leases. The Group has no significant financial leasing agreements, which is why all leases are recognized as operating leases and the lease payments are distributed linearly over the lease period.

Financial instruments

Financial assets and liabilities are recognized according to the cost method. Non-current receivables and non-current liabilities are recognized at the amortized cost, which corresponds to the present value of future payments discounted by the effective interest rate calculated at the time of acquisition.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are translated at the closing rate. The difference between the cost of acquisition and the closing value has been recognized in the income statement.

Impairment

If there is an indication of a decrease in value for an asset, its recoverable amount should be established. If the asset's carrying amount exceeds its recoverable amount, the asset is written down to this value. The recoverable amount is defined as the higher of market value and value in use. Value in use is defined as the present value of estimated future cash flows generated by the asset. Impairment losses are recognized in the income statement.

Income tax

Recognition of income tax pertains to current tax and deferred tax. The tax is recognized in the income statement, except where it relates to items recognized directly in equity. In such cases, tax is also recognized in equity. Deferred tax is recognized using the balance sheet method for all significant temporary differences. A temporary difference arises when the carrying amount of an asset or liability differs from its tax assessment value. Deferred tax is calculated by applying the tax rate that has been enacted or announced at the balance sheet date; this is currently 22 percent.

Deferred tax assets are reported to the extent it is probable that future fiscal surpluses will be available against which the temporary differences can be utilized.

Inventories etc.

Inventories are valued at the lower of cost and net realizable value. The first in, first out (FIFO) method has been applied to determine the cost.

Provisions

Provisions are recognized when the Group has, or may be considered to have, an obligation as a result of a past event and it is likely that payments will be required to settle the obligation. One condition is that it is possible to make a reliable estimate of the amount to be paid.

Employee benefits – pensions

The Group's pension plans to be paid out once the employees retire are defined contribution plans. In a defined contribution plan, the company makes predetermined contributions to a separate legal entity. The company has no additional obligations once the contribution has been paid.

Note 2 • Estimates and assumptions

Company management makes estimates and assumptions about the future. These estimates rarely correspond to what actually happens. The estimates and assumptions that could lead to a risk of substantial adjustments to the carrying amounts of assets and liabilities are primarily the valuation of goodwill.

Every year, it is considered whether there is any indication that the value of assets is lower than the carrying amount. If there is such an indication, the asset's recoverable amount is calculated, which is the higher of an asset's fair value less selling expenses and value in use.

Note 3 • Breakdown of net revenue

Geographic market	Group		Parent company	
	2016	2015	2016	2015
EMEA	71,557	33,479	39,198	22,948
Asia Pacific	14,435	16,552	13,745	15,980
Americas	27,900	28,944	26,894	27,540
Total	113,892	78,975	79,837	66,468

Business segment	Group		Parent company	
	2016	2015	2016	2015
Traffic	61,927	53,859	39,347	41,352
Rail	45,865	25,116	40,490	25,116
Industry	6,099	–	–	–
Total	113,892	78,975	79,837	66,468

Note 4 • Purchases and sales within the Group

	Parent company	
	2016	2015
Proportion of sales concerning Group companies, %	0	0
Proportion of purchases concerning Group companies, %	0	0

Note 5 • Other operating income

Business segment	Group		Parent company	
	2016	2015	2016	2015
Insurance settlements	–	46	–	46
Exchange rate differences	495	1	495	0
Sale of equipment	49	–	–	–
Total	544	47	495	46

Note 6 • Goods for resale

This item includes costs of SEK 2,631 thousand (of which personnel costs amounted to SEK 1,940 thousand) for Balogh's assembly and testing operations in Normandy.

Note 7 • Other operating expenses

	Group		Parent company	
	2016	2015	2016	2015
Exceptional costs				
Restructuring costs, CitySync	801	–	–	–
Restructuring costs, Balogh	1,522	–	–	–
Write-down of project costs, CitySync	2,400	–	–	–
Total	4,723	–	–	–

The restructuring costs for CitySync and Balogh relate primarily to the winding-up of the business segment, one aspect of which was staff cutbacks.

The written-down costs concern project operations acquired that are not part of the current business.

Note 8 • Lease payments

	Group		Parent company	
	2016	2015	2016	2015
Operating leases, including rent for premises				
Lease payments, cost for the year	4,903	1,328	1,329	1,081
The remaining lease payments fall due as follows:				
No later than one year	4,182	2,028	1,340	1,313
Later than one year but within five years	5,860	4,573	1,425	2,688
Later than five years	–	–	–	–
Total	10,042	6,601	2,765	4,001

The most important rental agreements relate to premises in Kista, Paris, Toulouse, and Stevenage.

Note 9 • Remuneration for auditors

	Group		Parent company	
	2016	2015	2016	2015
Fees and expenses				
<i>Mazars SET Revisionsbyrå AB</i>				
Audit assignment	290	288	290	281
Tax advisory services	–	19	–	16
Other services	–	36	–	36
Total	290	343	290	333
<i>Other audit firm</i>				
Audit assignment	249	182	–	–
Tax advisory services	21	52	–	–
Other services	143	–	–	–
Total	413	234	–	–
Total	703	577	290	333

Note 10 • Average number of employees plus salaries and other remuneration

	2016		2015	
	Number of employees	Of which men	Number of employees	Of which men
Average number of employees				
Parent company				
Sweden	19	15	16	13
Subsidiaries				
United Kingdom	18	16	24	19
France	36	18	–	–
Total subsidiaries	54	34	24	19
Group total	73	49	40	32

	2016		2015	
	Women	Men	Women	Men
Gender distribution among senior executives				
Board of Directors	0	5	0	4
CEO and other company management	1	4	0	1

Breakdown of salaries and remuneration by senior executives and other employees

	Board, CEO, and other senior executives		Other		Total	
	2016	2015	2016	2015	2016	2015
Parent company	4,596	2,995	9,293	8,876	13,889	11,871
Subsidiaries	448	–	14,133	7,589	14,581	7,589
Group total	5,044	2,995	23,426	16,465	28,470	19,460

Breakdown of salaries and remuneration by senior executives and other employees

	Salaries and other remuneration		Social security contributions		Of which pension costs	
	2016	2015	2016	2015	2016	2015
Parent company	13,889	11,871	6,630	5,402	2,181	1,780
Subsidiaries	14,581	7,589	2,473	355	164	91
Group total	28,470	19,460	9,103	5,757	2,345	1,871

	2016				2015			
	Fee/salary	Variable remuneration	Pension cost	Other	Fee/salary	Variable remuneration	Pension cost	Other
Remuneration to the Board, CEO, and other senior executives								
Chairman Rolf Nordberg	250	–	–	–	200	–	–	–
Board member Joseph Grillo	100	–	–	100	100	–	–	–
Board member Örjan Johansson	100	–	–	–	–	–	–	–
Board member Magnus Jonsson	100	–	–	–	100	–	–	54
Board member Gert Sviberg	100	–	–	–	100	–	–	–
Other senior executives								
CEO Jonas Svensson	1,838	600	477	–	1,774	671	446	–
Other senior executives (3)	1,856	–	385	–	–	–	–	–
Total	4,344	600	862	100	2,274	671	446	54

The CEO has a notice period of six months in the event of voluntary resignation. Should their employment be terminated by the company, a notice period of 12 months will apply.

Note 11 • Other interest income and similar items

	Group		Parent company	
	2016	2015	2016	2015
Interest income, Group companies	0	0	67	0
Other interest income	4	0	0	0
Total	4	0	67	0

Note 12 • Interest expenses and similar items

	Group		Parent company	
	2016	2015	2016	2015
Interest expenses	-219	-50	-219	-50
Interest expenses, Group companies	-	-	-	-
Exchange rate losses on non-current receivables from subsidiaries	-	-	-337	-261
Stamp duty on corporate mortgage	-100	-	-100	-
Other financial expenses	-117	-	-2	-
Total	-436	-50	-658	-311

Note 13 • Tax on net profit for the year

	Group		Parent company	
	2016	2015	2016	2015
Current tax	2,612	0	0	0
Deferred tax	1,098	1,866	1,098	1,866
Total	3,710	1,866	1,098	1,866
<i>Theoretical tax</i>				
Recognized profit before tax	505	1,287	10,888	7,310
Tax at the applicable rate of 22%	-111	-283	-2,395	-1,608
<i>Reconciliation of reported tax</i>				
Effect of overseas tax rate	-343	-104	-	-
Tax effect of non-deductible expenses	-259	-26	-259	-25
Effect of non-taxable income	0	0	0	0
Effect of amortization of consolidated goodwill	-562	-237	-	-
Effect of other adjustments to consolidated profit	76	57	-	-
Effect of unvalued loss carryforwards	-1,509	-1,041	-	-
Effect of previously utilized unvalued loss carryforwards	245	0	-	-
Effect of previously valued loss carryforwards for the year	3,599	3,500	3,599	3,500
Effect from previous years	-38	0	153	-
Other*	2,612	-	-	-1
Total	3,710	1,866	1,098	1,866

*The item concerns tax income of SEK 2,612 thousand based on Balogh's accrued development costs.

The tax loss carryforwards amount to SEK 128,783 thousand (53,307 thousand). Deferred tax assets relate to the valuation of SEK 24,054 thousand (19,064 thousand) of these loss carryforwards.

Note 14 • Goodwill

	Group		Parent company	
	2016	2015	2016	2015
Opening cost of acquisition	21,373	–	–	–
Business combinations	16,335	22,513	–	–
Translation difference for the year	-1,981	-1,140	–	–
Closing accumulated cost of acquisition	35,727	21,373	–	–
Opening depreciation/amortization	-1,015	–	–	–
Depreciation/amortization for the year	-2,554	-1,078	–	–
Translation difference for the year	167	63	–	–
Closing accumulated depreciation/amortization	-3,402	-1,015	–	–
Carrying amount	32,325	20,358	–	–

Note 15 • Land and buildings

	Group		Parent company	
	2016	2015	2016	2015
Taken over on acquisition	825	–	–	–
Closing accumulated cost of acquisition	825	–	–	–
Opening depreciation/amortization	-825	–	–	–
Depreciation/amortization for the year	0	–	–	–
Closing accumulated depreciation/amortization	-825	–	–	–
Carrying amount	0	–	–	–

The property Section E, no. 72 "La Croix Brisee" is located in Pont-l'Évêque in Normandy and houses the company's assembly and testing unit.

Note 16 • Leasehold improvements

	Group		Parent company	
	2016	2015	2016	2015
Opening cost of acquisition	874	–	–	–
Taken over on acquisition	–	884	–	–
Translation difference for the year	-85	-10	–	–
Closing accumulated cost of acquisition	789	874	–	–
Opening depreciation/amortization	-117	–	–	–
Depreciation/amortization for the year	-219	-117	–	–
Translation difference for the year	9	–	–	–
Closing accumulated depreciation/amortization	-327	-117	–	–
Carrying amount	462	757	–	–

Note 17 • Equipment, tools, fixtures and fittings

	Group		Parent company	
	2016	2015	2016	2015
Opening cost of acquisition	3,614	3,265	3,265	3,265
Purchases	19	0	–	–
Taken over on acquisition	3,101	352	–	–
Translation difference for the year	-76	-3	–	–
Closing accumulated cost of acquisition	6,658	3,614	3,265	3,265
Opening depreciation/amortization	-6,054	-3,173	-3,265	-3,173
Depreciation/amortization for the year	-99	-170	–	-92
Translation difference for the year	-19	0	–	–
Closing accumulated depreciation/amortization	-6,172	-3,343	-3,265	-3,265
Carrying amount	486	271	0	0

Note 18 • Participations in Group companies

Parent company					Carrying amount	
Company	Corp. ID no.	Reg. office	Number of	Share of equity	2016	2015
TagMaster Incentive AB	559005-4374	Stockholm	50,000	100%	50	50
CitySync Limited	03791347	Stevenage	15,000	100%	35,174	35,174
SA Balogh International	380 591 933	Paris	151,949	100%	5,204	–
					40,428	35,224

SA Balogh International

Company	Corp. ID no.	Reg. office	Number of	Share of equity
SA Balogh	582 061 073	Paris	31,941	100%
Balogh Normandie	310 498 423	Pont-l'Évêque	5,920	100%

	Parent company	
	2016	2015
Opening cost of acquisition	35,224	–
Purchases	5,204	35,224
Carrying amount	40,428	35,224

The subsidiary SA Balogh International was acquired during the year. For further information, see Note 34.

Note 19 • Receivables from Group companies

	Group		Parent company	
	2016	2015	2016	2015
Opening cost of acquisition	–	–	2,847	–
Lending	–	–	9,876	3,108
Accrued interest	–	–	67	–
Translation difference for the year	–	–	-336	-261
Carrying amount	–	–	12,454	2,847

Note 20 • Deferred tax assets

	Group		Parent company	
	2016	2015	2016	2015
Opening cost of acquisition	4,194	1,861	4,194	1,861
Used during the year	-2,501	-1,533	-2,501	-1,533
Activation of claims for tax loss carryforwards	3,599	3,502	3,599	3,502
Effect on deferred tax of deductible share issue costs	–	364	–	364
Carrying amount	5,292	4,194	5,292	4,194

The deferred tax assets relate to a valued tax loss carryforward. None of the loss carryforwards has a time limit.

Note 21 • Other non-current receivables

	Group		Parent company	
	2016	2015	2016	2015
Opening cost of acquisition	–	–	–	–
Taken over on acquisition	1,609	–	–	–
Translation difference for the year	17	–	–	–
Carrying amount	1,626	–	–	–

Most of the other non-current receivables, SEK 1,365 thousand, relates to Balogh's deposits with a factoring company.

Note 22 • Other receivables

	Group		Parent company	
	2016	2015	2016	2015
Tax assets	3,473	428	428	428
VAT receivable	1,587	467	1,185	467
Advance payments to suppliers	2,754	–	–	–
Other receivables	612	12	–	–
Total	8,426	907	1,613	895

The tax asset includes a receivable concerning a tax payment of SEK 2,612 thousand based on accrued development costs that are expected to accrue to Balogh SA in 2017.

Note 23 • Prepayments and accrued income

	Group		Parent company	
	2016	2015	2016	2015
Prepaid rent	966	305	307	305
Prepaid insurance	675	342	468	342
Other prepaid expenses	1,100	1,050	686	369
Carrying amount	2,741	1,697	1,461	1,016

Note 24 • Equity

There are 167,824,391 shares with a face value of SEK 0.05 per share.

Note 25 • Other provisions

	Group		Parent company	
	2016	2015	2016	2015
Opening carrying amount	1,476	543	1,043	543
Taken over on acquisition	–	443	–	–
Provision for the year	1,050	513	1,050	500
Translation difference for the year	–43	–23	–	–
Carrying amount	2,317	1,476	2,093	1,043

Other provisions relate to possible future commitments for longer projects.

Note 26 • Non-current liabilities

	Group		Parent company	
	2016	2015	2016	2015
<i>Maturing later than five years after the balance sheet date</i>				
Liabilities to credit institutions	500	–	500	–
Other liabilities	7,309	–	–	–
Total	7,809	–	500	–

Other non-current liabilities relate to debts included in Balogh's composition arrangement whose creditors opted to have repaid to them over eight years.

Note 27 • Pledged assets

	Group		Parent company	
	2016	2015	2016	2015
<i>Assets pledged for liabilities to credit institutions</i>				
Corporate mortgages	21,800	8,000	21,800	8,000
Total	21,800	8,000	21,800	8,000

Note 28 • Liabilities to credit institutions

	Group		Parent company	
	2016	2015	2016	2015
Non-current portion	8,567	–	8,500	–
Total	8,567	–	8,500	–

The parent company does not have any instalments to pay in relation to its liabilities to credit institutions in 2017.

Note 29 • Bank overdraft facilities

	Group		Parent company	
	2016	2015	2016	2015
Granted overdraft facilities amount to	12,000	8,000	12,000	8,000
Unutilized credit on the balance sheet date	-12,000	-8,000	-12,000	-8,000
Utilized credit on the balance sheet date	0	0	0	0

Note 30 • Other liabilities

	Group		Parent company	
	2016	2015	2016	2015
Advance payments from customers	4,755	–	6	56
VAT and other tax-related items	2,876	1,400	388	365
Other	299	–	–	–
Carrying amount	7,930	1,400	394	421

Note 31 • Accruals and deferred income

	Group		Parent company	
	2016	2015	2016	2015
Personnel-related costs	7,844	2,315	3,652	3,396
Other accrued expenses	6,463	4,706	3,174	2,053
Deferred income	750	1,176	–	–
Accrued sales commissions	580	660	580	660
Restructuring costs, Balogh	2,861	–	–	–
Carrying amount	18,498	8,857	7,406	6,109

Note 32 • Items not affecting cash flow

	Group		Parent company	
	2016	2015	2016	2015
Depreciation/amortization	2,870	1,365	–	92
Provisions	6,868	513	1,050	500
Translation difference for internal transactions	147	-85	–	–
Capital gains from non-current assets	–	74	–	–
Exchange rate differences	–	–	6	–
Total	9,885	1,867	1,056	592

Note 33 • Cash and cash equivalents

	Group		Parent company	
	2016	2015	2016	2015
Cash in hand	188	–	–	–
Bank balances	9,715	4,492	2,153	2,990
Total cash and cash equivalents	9,903	4,492	2,153	2,990

Note 34 • Business combinations

On August 30, 2016, TagMaster AB acquired 100% of the shares in SA Balogh International and its subsidiaries SA Balogh and Balogh Normandie.

Fair value of acquired assets and liabilities assumed

Goodwill	16,335
Property, plant, and equipment	323
Non-current financial assets	1,626
Current assets	18,961
Cash and cash equivalents	1,151
Non-current liabilities	-10,085
Current liabilities	-23,107
Total fair value of acquired net assets	5,204
Net assets attributable to shareholders in the parent company	5,204

Since the date of acquisition, the Balogh Group has contributed SEK 14,524 thousand in net revenue and SEK -199 thousand to the operating profit. If the acquisition had taken place at the beginning of the year, the contribution to net revenue would have amounted to SEK 41,026 thousand and the operating profit (excluding composition gains and impairment of current assets in addition to normal impairment losses) would have been adversely affected by SEK 1,711 thousand.

Note 36 • Appropriation of profits

(Amounts in SEK)

Proposed appropriation of the company's profit

The following earnings in the parent company are at disposal of the AGM

retained earnings	42,452,406
net profit for the year	11,983,909
	54,436,315

The Board proposes that:

balance remaining in retained earnings	54,436,315
	54,436,315

Note 35 • Significant events after the end of the financial year

To facilitate any future selective acquisitions, the Board of Directors will recommend that the Annual General Meeting adopt a resolution on a new share issue.

Declaration

Kista on March 22, 2017

Rolf Norberg
Chairman

Joseph Grillo

Örjan Johansson

Magnus Jonsson

Gert Sviberg

Jonas Svensson
Chief Executive Officer

Our audit report was submitted on March 29, 2017

Mazars SET Revisionsbyrå AB

Mikael Fredstrand
Authorized Public Accountant

Audit report

To the Annual General Meeting of TagMaster AB (publ) corporate ID number 556487-4534

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Opinion

We have conducted an audit of the financial statements and consolidated financial statements for TagMaster AB (publ) for the 2016 financial year.

In our opinion, the financial statements and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the Group as at December 31, 2016 and their financial performance and cash flow for the year then ended in accordance with the Swedish Annual Accounts Act. The statutory administration report (directors' report) is consistent with the other parts of the financial statements and consolidated financial statements.

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 (ISAs) 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 good auditing practices in Sweden and 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.

Other information included in the annual report

The Board of Directors and the CEO are responsible for this other information. The other information comprises pages 2 to 20 and pages 50 to 51. Our opinion on the financial statements does not include this information and we will not express an opinion verifying this other information.

In connection with our audit of the financial statements, it is our responsibility to read the information

identified above and identify whether the information is materially inconsistent with the financial statements. In this review we also take into account the knowledge we have obtained 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.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the CEO are responsible for the preparation and fair presentation of financial statements and consolidated financial statements in accordance with the Swedish Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In their preparation of the financial statements and consolidated financial statements, the Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, where appropriate, information on conditions that may affect the ability to continue as a going concern 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 responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements and consolidated financial statements 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 ISAs 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 these financial statements and consolidated financial statements.

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

- identify and assess the risks of material misstatement in the financial statements and consolidated financial statements, 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- 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 financial statements and consolidated financial statements. We will 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 as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the audit report to the related disclosures in the financial statements and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion on the financial statements and consolidated

financial statements. 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 as a going concern.

- we evaluate the overall presentation, structure, and content of the financial statements and consolidated financial statements, including the disclosures, and whether the financial statements represent 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 financial statements. 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 financial statements and consolidated financial statements, we have examined the administration of the Board of Directors and the CEO of TagMaster AB (publ) for the year 2016 and the proposed appropriations 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 Chief Executive Officer 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 good auditing prac-

tices in Sweden and 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.

Responsibility of the Board of Directors and the Chief Executive Officer

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 equity and the parent company's and the Group's consolidation requirements, liquidity, and financial position in general.

The Board is responsible for the organization 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 organization 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 responsibility

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 which 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 judgment and maintain professional skepticism throughout 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, March 29 2017
Mazars SET Revisionsbyrå AB

Mikael Fredstrand
Authorized Public Accountant

Board of Directors



Rolf Norberg

Chairman and Board member since 2012

Born: 1949

Shareholding: 2,169,048 shares

Education: Doctor of Engineering, KTH Royal Institute of Technology in Stockholm

Previously worked for: Sandvik, Securitas, ASSA ABLOY, and Niscayah



Joseph (Joe) Grillo

Board member since 2012

Born: 1957

Shareholding: 700,000 shares

Education: Bachelor of Science in Finance, University of Connecticut
Owner and chairman of Vanderbilt Security in the United States

Previously worked for: HID, ASSA ABLOY, and Digital Angel



Örjan Johansson

Board member since 2016

Born: 1960

Shareholding: 0 shares

Education: Master of Science in Engineering, Lund University
Owner of the consultancy firm Bluewise AB

Previously worked for: TA Control Incentive Group, Ericsson Mobile Communication AB, Anoto AB



Magnus Jonsson

Board member since 2012

Born: 1966

Shareholding: 677,872 shares

Education: IHM International Marketing Management

Works as an independent consultant

Previously worked for: Aritech, GE, ASSA ABLOY, Niscayah, and Imtech Nordic



Gert Sviberg

Board member since 2012

Born: 1967

Shareholding: 24,186,643 shares

Education: Marine engineer
Owns several companies and works as a property developer



Jonas Svensson

CEO and deputy Board member since 2012

Born: 1962

Shareholding: 2,000,000 shares and 2,000,000 purchase rights in TagMaster AB

Education: Bachelor of Science in Business and Economics, Lund University

Previously worked for: Kinetico Inc. Smarteq Wireless, American Express, SEB, and Siemens

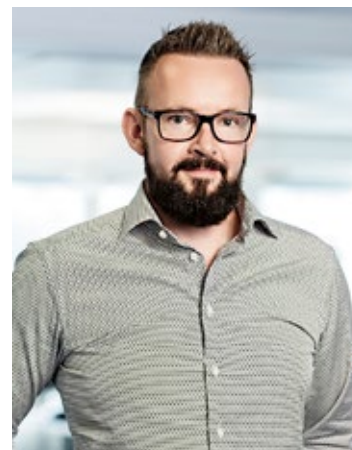
Management



Jonas Svensson
CEO and deputy Board member
Born: 1962
Shareholding: 2,000,000 shares and 2,000,000 purchase rights in TagMaster AB
Employee since 2012
Education: Bachelor of Science in Business and Economics, Lund University
Previously worked for: Kinetico Inc. Smarteq Wireless, American Express, SEB, and Siemens



Etienne Balogh
International Sales Director Rail Solutions
Born: 1962
Shareholding: 0 shares
Employee since 1987 (Balogh SA)
Education: Master of Business Administration, IDRAC Paris Promo
Previously worked for: Renault Automobile



Johan Franzén
Chief Technology Officer
Born: 1971
Shareholding: 210,000 shares and 400,000 purchase rights in TagMaster AB
Employee since 2005
Education: Master of Science in Engineering, Chalmers University of Technology, Gothenburg
Previously worked for: Ericsson and Optillion



Peter Gröntved
International Sales Director Traffic Solutions EMEA
Born: 1964
Shareholding: 80,000 purchase rights in TagMaster AB
Employee since 2015
Education: Master of Science in Business Administration & Economics, Copenhagen Business School
Previously worked for: Michelin, ASSA ABLOY, Grohe, and ThyssenKrupp



Margaretha Narström
Chief Financial Officer
Born: 1967
Shareholding: 300,000 purchase rights in TagMaster AB
Employee since 2016
Education: Bachelor of Science in Business and Economics, Karlstad University
Previously worked for: JM AB, Deloitte, and the Swedish Tax Agency

Glossary

ANPR

Automatic Number Plate Recognition

ATP

Automatic Train Protection

AVI

Automatic Vehicle Identification

CCTV

Closed Circuit Television

EMEA

Europe, the Middle East, and Africa

Infomobility

Real time information that assists e.g., public transport services, by providing updated timetables, expected arrival and departure times, and total travel time.

IoT

Internet of Things

IR camera

Infrared Camera

ITS

Intelligent Transportation Systems

NRE

Non-recurring Engineering

OCR

Optical Character Recognition

RFID

Radio Frequency Identification

UHF

Ultra High Frequency

Definitions

Asset turnover ratio

Net revenue for the year divided by average capital employed.

Capital employed

Balance sheet total less non-interest-bearing liabilities.

Earnings per share

Profit/loss after tax in relation to average number of shares.

EBITDA margin, %

Operating profit excluding depreciation and amortization (EBITDA) in relation to net revenue for the year.

Equity ratio, %

Equity in relation to the balance sheet total.

Operating margin, %

Profit/loss before financial items in relation to net revenue for the year.

Operating profit before depreciation and amortization (EBITDA)

Operating profit excluding depreciation and amortization.

Market price

Price paid on the Nasdaq First North market on the last trading day for the year.

Return on equity, %

Profit after tax in relation to average equity.

ADDRESSES

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