

**TagMaster**

2017



ANNUAL REPORT

### Financial calendar 2018

The Annual General Meeting will be held at Middlepoint, Kronborgsgränd 1, Kista, Sweden on Thursday, April 26, 2018 at 3.00 p.m.

Interim Report for January to March	April 26
Interim Report for January to June	July 13
Interim Report for January to September	October 25
Year-end Report	January 24, 2019

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### 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 2017.

### Right to participate at the Annual General Meeting (AGM)

Shareholders in TagMaster AB (publ), 556487-4534, who wish to participate in the AGM must (i) be registered in the shareholder register kept by Euroclear Sweden AB no later than April 20, 2018 and (ii) have applied to attend in accordance with the procedure set out below.

Shareholders are entitled to be accompanied by one or two assistants to the AGM, provided that the Company is notified of this in accordance with the procedure set out below.

### Application

Application to attend must be received by the Company no later than April 20, 2018, either by e-mail to [aktie@tagmaster.se](mailto: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.

Name, personal identity number or corporate identity number, address and phone number, along with the name(s) of any assistant(s) must be stated in the application. Any documents such as a certificate of registration or letter of proxy must be enclosed with the application.

A proxy form may be downloaded from the Company's website [tagmaster.com](http://tagmaster.com).

### Nominee-registered shares

In order to participate in the AGM, shareholders who have elected to nominee-register their shares must temporarily re-register them in their own name with Euroclear Sweden AB. Such registration, which normally takes a few days, must be completed (registered with Euroclear Sweden AB) no later than April 20, 2018.

### Notice of the AGM

Notice of the AGM will be issued no later than four weeks before the meeting, through an advertisement in the Official Swedish Gazette (Post och Inrikes Tidningar) and an announcement on the Company's website, [tagmaster.com](http://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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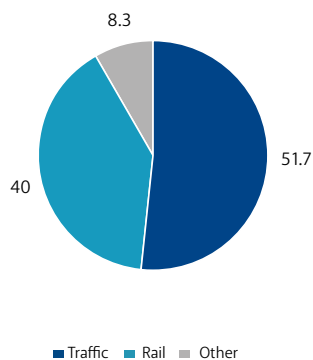
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# TagMaster in brief

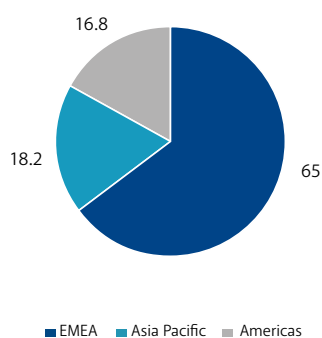


Smart Cities may be defined as cities aiming to improve quality of life by making use of digital technology to improve the quality and efficiency of city services, and by meeting people's needs in a better way.

SALES BY  
BUSINESS SEGMENT, %



SALES BY  
GEOGRAPHICAL REGION, %



## On the basis of advanced radio and camera technology, TagMaster develops and delivers solutions for Smart Cities.

Today, cities and other densely-populated areas worldwide face challenges that are unparalleled in modern times. These include rapid growth, rising populations, forced urban development and, consequently, new demands on transport systems. Solutions are also needed to deal with climate change and the ever-declining quality of air in the cities of the world.

These megatrends are sharpening the focus on the concept of Smart Cities – the use of technology and smart solutions to make day-to-day life simpler, safer and more efficient, and to minimize climate impact.

TagMaster's innovative solutions are based on advanced RFID (Radio Frequency Identification), radar and ANPR (Automatic Number Plate Recognition) technology to optimize communications, availability and the use of existing infrastructure. TagMaster is one of the world's leading suppliers of advanced mobility solutions in its two market segments Traffic Solutions and Rail Solutions. TagMaster's solutions and products are renowned for first-class quality and are designed for high performance even in extreme conditions. TagMaster is an international group of companies that operate and have well-established customer relationships throughout the world. The Group has a presence via our own subsidiaries in Sweden, the UK and France, via our own offices in Slovakia and Malaysia and via partners in the USA and China. In all, the Group has more than 150 partners in more than 30 countries. TagMaster's solutions are sold under five separate brands: TagMaster, Magsys, CA Traffic, CitySync and Balogh.

# The year in brief

**Net revenue increased by 71.6 percent to SEK 195.4 million (114.0) during the period. Operating profit (EBITDA) amounted to SEK 21.8 million (3.8), equivalent to an operating margin of 11.2 percent (3.3). Profit after tax totalled SEK 17.1 million (4.2) while cash flow from operating activities came to SEK 20.5 million (0.9).**

## Q1

- ▶ Net revenue in the first quarter increased by 70.8 percent to SEK 42.1 million (24.6)
- ▶ Operating profit (EBITDA) in the first quarter increased by 140 percent to SEK 4.8 million (2.0), equivalent to an operating margin of 11.4 percent (8.3)
- ▶ On March 22, 2017, the Board of Directors announced a decision, subject to approval by the following AGM, to undertake a new share issue of around SEK 36.9 million, with preferential rights for TagMaster's shareholders.

## Q2

- ▶ Net revenue during the second quarter increased by 145.0 percent to SEK 50.5 million (20.6)
- ▶ Operating profit (EBITDA) during the second quarter increased from SEK -4.9 million to SEK 5.2 million, equivalent to an operating margin of 10.3 percent (-23.8)
- ▶ TagMaster acquired CA Traffic Ltd, England, from Hill & Smith Holdings PLC, taking over ownership on April 27, 2017. For a purchase consideration of around SEK 34 million, TagMaster is taking over a business with annualized sales of approximately SEK 50 million, and a positive operating profit
- ▶ The new share issue was successfully concluded with a take-up rate of around 199 percent.

## Q3

- ▶ Net revenue in the third quarter increased by 57.2 percent to SEK 45.0 million (28.6)
- ▶ Operating profit (EBITDA) in the third quarter increased by 135.3 percent to SEK 4.0 million (1.7), equivalent to an operating margin of 9.0 percent (6.0).

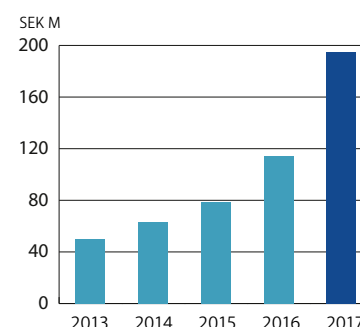
## Q4

- ▶ Net revenue in the fourth quarter increased by 43.7 percent to SEK 57.6 million (40.1)
- ▶ Operating profit (EBITDA) in the fourth quarter increased by 55.9 percent to SEK 7.8 million (5.0), equivalent to an operating margin of 13.5 percent (12.4)
- ▶ On December 21, 2017, TagMaster concluded the acquisition of Magsys SA, one of France's leading value-adding distributors in ITS.

OVER THE PAST FIVE YEARS, TAGMASTER'S NET SALES HAVE RISEN BY ON AVERAGE

# 37.6%

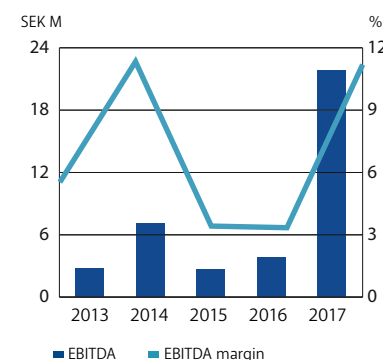
NET REVENUE



GROWTH OVER THE YEAR

# 71.6%

EBITDA, SEK M EBITDA MARGIN, %



# Strong growth and good profitability

**The year of 2017 may be summarized as one of strong growth and good profitability. This has been made possible through hard and successful sales activities, efficiency measures, developing our various activities, innovation and acquisitions. Sales rose by 71.6 percent to SEK 195.4 million with a profit (EBITDA) of SEK 21.8 million, representing an operating margin of 11.2 percent.**

I am proud that in 2017 we nearly achieved our financial targets, despite the fact that the TagMaster Group is just at the start of its journey towards the vision of playing an important part in the traffic solutions of the future, within the concept of Smart Cities worldwide.

The past year confirmed that the Group's choice of strategy to grow within the Traffic and Rail Solutions segments is absolutely right. The challenges that cities and other densely-populated areas worldwide face today are unparalleled in modern times. To overcome these challenges, smart solutions will be needed for to increase efficiency in traffic and transport systems through implementation of modern technology. This is where TagMaster comes in.

The challenges that the decision-makers face globally include not only rising urban populations and forced urban development, but also the consequences of climate change and the steadily declining quality of air in the cities of the world.

These two driving forces – increased crowding and stricter environmental requirements – demand digital solutions to enable the creation of Smart Cities.

## Continued focus on acquisitions and developing efficiencies

TagMaster aims to play an important role in addressing the challenges described. Against that backdrop, we continued in 2017 to pursue our strategy of making complementary acquisitions to develop our offering, create new solution areas and clear the way to increased scalability.

During the year, we completed two acquisitions, CA Traffic of the UK and Magsys of France. With these acquisitions, we have taken a major stride into a new solution area: infomobility, where the two acquisitions now represent a strong base.

Infomobility is a new and very attractive area to us in that, with our solutions, we can help to relieve the traffic situation in densely-populated areas and very effectively monitor traffic flows – not only of vehicles but also of

bicycles and pedestrians – and identify how these flows can be improved.

The need is for solutions to collect traffic data, correctly interpret the data collected and effectively use the information gathered. With various types of sensor, radar and other information technology, data and information collected may be used, for example, to better utilize existing traffic networks and therefore improve the traffic situation in cities and densely-populated contiguous areas, and in that way also reduce the negative environmental impact of traffic.

Via the two acquisitions, we can now offer solutions for traffic network management, as well as solutions that are becoming increasingly relevant, such as vehicle classification systems, systems for counting vehicles, bicycles and pedestrians, journey time calculator systems, pedestrian and bicycle detection systems and weather information systems.

## Focus, Simplify and Improve

Over the past year, work progressed on streamlining and structuring the work of the Group. In this process, we are focusing on fewer and more sharply-tuned offerings, on outsourcing production to contract manufacturers and on expanding our development and innovation activities. Our work in innovation is partly focused on developing scalability and thus profitability, and partly on stepping up the pace of innovation, which will be crucial to our continued success.

For example, in 2017 we established a centre of excellence for Rail Solutions in France by amalgamating our Swedish and French areas of expertise, in order to improve our product offering to the leading players in rail signalling. We also merged our ANPR development within the UK for better scalability in our future development operations.

## Sales successes

In terms of sales, 2017 was a good year. For example, we secured a number of major parking projects and deliv-





*“Our acquisition of Magsys will create new, shared business opportunities in the French market as early as in 2018.”*

eries were made during the year. We discern a strong trend in, for example, Scandinavia for ANPR systems to become a key component in the parking systems of the future, in “free-flow” parking systems that dispense with parking barriers and ticket machines.

In Traffic Solutions, the American market continued to perform well, and the Indian market in products for road toll systems was buoyant. Against that background, we are increasing the pace of our work on developing more products in RFID, radar and ANPR, intended for launch in 2018. Our acquisition of Magsys will create new, Group-wide business opportunities in the French market as early as in 2018.

Rail Solutions posted satisfactory growth during the year, and we began deliveries of our new RailTag, which offers a service life of 20 years. We are in the final phase of a couple of product development projects that are expected to deliver a positive impact on business, probably later in the year of 2018.

#### **Future prospects**

We have made good progress on our journey with TagMaster to create a relevant, successful and important player in solutions for Smart Cities. Innovation is the process we use for change and we are continuing along this path.

We are executing what we call a strategy for growth and profitability. Our activities follow our strategic action

plan and are focused on the four areas of commercial strength, customer-driven product development, operational improvement, and an expanded product offering.

We need to further increase our revenue to assure long-term success, and on that basis intend to further strengthen and expand our product offering during 2018, for example via selective acquisitions aimed at raising the value and attractiveness of our customer offering.

#### **Strong financial position**

We look forward to more acquisition opportunities in 2018 and will continue to build our organization so that it is in an even better position to support our high growth ambitions. With a positive cash flow of SEK 20.7 million from operating activities in 2017 behind us, we are well equipped to take the next step.

I would like to thank our employees, our partners and customers, all of whom are playing a part in creating and expanding solutions for Smart Cities, and are taking on parts of the challenges that the cities and densely-populated areas of the world are facing. With these words, I am pleased to summarize that in 2017 we together took major steps towards our vision and our targets. We are now facing new and exciting challenges and I am convinced that 2018 will take us a good way on our journey.

**Jonas Svensson**  
Chief Executive Officer

# Challenges that are unparalleled in modern times – Smart Cities

**Cities and other densely-populated areas worldwide today face challenges that are unparalleled in modern times. These include rapid growth, rising populations, forced urban development and as a result new demands on transport systems. Solutions are also needed to deal with climate change and the ever-declining quality of air in the cities of the world. This is creating a new playing field in terms of conserving resources and reducing emissions. All in all, there is today high demand for smart solutions to drive progress towards Smart Cities, that is, digitalization of urban environments.**

It is this market, and this world, that TagMaster serves with its products and services in Traffic Solutions and Rail Solutions. Adapting the community of today – the city – for the future is one of our biggest challenges. It is a challenge and a driving force that to the highest degree involves TagMaster's existing and prospective customers.

TagMaster is striving to participate in the work of taking on these challenges, via solutions that streamline and facilitate monitoring of traffic, transportation, parking and public transport, and that thereby help to lay the foundations for sustainable development in densely-populated areas throughout the world. This requires solutions that ordinary people meet every day, and that simplify their day-to-day life.

So, the market that TagMaster addresses is one that is showing robust growth and is important in enabling us to build a sustainable world for future generations. With an extensive offering of solutions in the Traffic Solutions and Rail Solutions market segments, TagMaster holds a very strong position in this market.

## Megatrends that are driving the development of Smart Cities

UNECE (the United Nations Economic Commission for Europe) defines a smart city as follows: "A smart sustainable city is an innovative city that uses information and communication technologies (ICTs) and other means to improve quality of life, efficiency of urban operation and services, and competitiveness, while ensuring that it meets the needs of present and future generations with respect to economic, social and environmental aspects as well as cultural."

The concept of Smart Cities is described as an important solution to the challenges that confront the densely-populated areas of the world. Using sensors,

detectors and cameras, the smart city can see, hear, feel, smell, and taste digital information that to help create 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 15 billion connected sensors in buildings, on rail networks, on roads, in hospitals, in cars and in other strategic fixed or mobile devices in cities. That figure will rocket, and people are talking in terms of 50 billion connected sensors by as early as 2020<sup>1</sup>. Examples of the functions of Smart Cities may range all the way from highly efficient public transport services whose routes are optimized using huge volumes of traffic data, to road lighting that switches off whenever there is no traffic in the vicinity.

Smart Cities are developing fast, driven in the main by the global megatrends described below.

**Urbanization and population growth:** Migration to cities around the world is on the increase. This is happening both in developed and developing countries. In developing countries, high population growth is fuelling this trend and the fastest increases in city populations will take place in such countries. That growth will require the cities to develop with a dramatic expansion in housing, transport, communication, electricity and water supply and other necessary infrastructure and services. It is estimated that, by 2050, 70 percent of the world's population will live in cities, and forecasts indicate that there will then be more than 100 megacities, that is, cities with a population of more than 10 million, compared to the current figure of 28<sup>2</sup>.

**Climate, the air and sustainability:** Many cities today already suffer from major environmental problems and in extreme cases are forced to shut down parts of the traffic system. The World Health Organization (WHO)





classifies air pollution as the biggest single health risk in the world. According to the WHO's calculations, nearly 6 million people died prematurely in 2012 because of air pollution. Of the emissions concerned, traffic is responsible for a major share. The negative trend is likely to continue in pace with the trend of urbanization described above. Calculations show that today around 1 billion vehicles are in use, and the number is expected to rise to 2 billion by 2035<sup>3</sup>. Figures also indicate that cities account for 75 percent of global energy consumption. At the same time, the countries of the world have undertaken to work towards the climate goals adopted in Paris in 2015, requiring greenhouse gas emissions to be halved by 2050. From the above, it is clear that the cities of the world are confronted by a historic challenge.

**Digitalization** Digitalization affects all areas of society and this trend is developing rapidly. The number of connected devices and the volume of data stored are rocketing and will continue to do so going forward. The high pace of technological development is creating new opportunities for managing the effects of urbanization and increased traffic volumes, as well as for creating climate-smart solutions.

**Safety and security** The need for safety and security in cities has risen in recent years, partly because of the wave of terrorist attacks in many parts of the world, and partly because of increased crime. Technological development has an important part to play here, too, via surveillance and analysis of data collected, with the aim of increasing safety and security in densely-populated areas.

#### Need for smart solutions

The trends described here call for solutions that create

Smart Cities. The areas in which TagMaster is involved and makes a contribution are described in the following:

#### Intelligent Transport Systems (ITS) and Traffic Systems

We see them everywhere alongside roads, in cities and at stations. Intelligent Transport Systems (ITS) are systems that with modern digital technology based on sensors, cameras and other communication technology play a part in enhancing efficiency in both rail-bound and road traffic systems, traffic monitoring, parking solutions, tolling services and much more. Developments in ITS are aiding passengers and motorists and increasing accessibility, while providing the ability to control traffic and transport services. This new technology is also helping to increase traffic safety and reduce environmental impact.

#### Infomobility

Infomobility is based on solutions that, via different types of sensor, radar and other information technology, are used to capture data and information, which are then processed in various central systems. The results may then be used, for example, to better utilize existing traffic networks and therefore improve the traffic situation in cities and densely-populated contiguous areas, and in that way also reduce the negative environmental impact of traffic.

Growing traffic problems and rising emissions are creating higher demand for systems to monitor and control traffic. The need is for traffic management able to handle huge volumes of information, as well as systems for vehicle classification, calculation of flows of, for example, vehicles, bicycles and pedestrians, journey time calculation systems, pedestrian and bicycle detection and weather information systems.

All of these applications are important elements of the Smart Cities of the future, in which efficient systems to

manage bicycle traffic will become increasingly important in terms of solving traffic problems.

### TagMaster's market

TagMaster is focused on solutions in the overall concept of Smart Cities, with a range of productions and solutions in its two market segments Traffic Solutions and Rail Solutions.

A large number of companies with numerous products operate in the same market as TagMaster. The technology of these companies is used for solutions combined, or sometimes in competition, with TagMaster.

The solutions may be based on RFID (Radio Frequency Identification) and ANPR (Automatic Number Plate Recognition), but also on other technologies such as radar. TagMaster uses RFID, radar and ANPR and is relatively alone in the market to offer solutions both for public transport and road traffic. TagMaster therefore has clear presence in market for Smart Cities, which paves the way for major opportunities for growth, both organically and through future acquisitions.

### Need to reduce traffic congestion

The driving forces and powerful megatrends that are leading to solutions for Smart Cities, as described above, are creating a major need to reduce traffic congestion and emissions. For example, there are studies indicating that around 30 percent of all traffic that circulates around a city is searching for a parking space. A smart solution that detects when parking spaces become vacant and that can inform motorists accordingly can make an effective contribution to reducing the traffic snarl-ups that many cities suffer from.

The sub-segments in Traffic Solutions that TagMaster addresses are found within Parking Solutions, Solutions for Security and Access Control, Tolling Services, Intelligent Transport Systems (ITS) and Infomobility. Together, this represents a market worth around USD 14 billion<sup>4</sup> annually, where TagMaster's detection and identification products are a necessary component to ensure that the systems work.

The part of the market served by ANPR technology is forecast to grow by around 12-15 percent annually, with a total volume of some USD 750 million<sup>5</sup> Transparency Market Research, Global Automatic Number Plate Recognition (ANPR) Market 2014-2020<sup>6</sup> Global Industry Analyst, Automatic Number Plate Recognition Systems February 2015. The areas that are growing fastest are parking, tolling services, security/monitoring and traffic management; all are application areas where TagMaster is active and product development is ongoing.

The geographically largest markets are as yet Europe

and the USA, while the UK is the single largest market. France and the Benelux countries are projected to achieve higher growth as a result of the sensitive security situation.

As far as TagMaster is concerned, the RFID market in Traffic Solutions is very much focused on parking and access solutions, where the Company's products are tried-and-tested and established, as well as on tolling services where the company intends to gain market shares with new product launches. TagMaster's own assessment is that the market is growing by 5–7 percent annually.

In Rail Solutions, TagMaster and Balogh are concentrating on signalling and automated train management systems, primarily for metro rail and tram services. The Company holds a strong position in this market and so there is scope for growth. Signalling (Rail Control) is a niche market in Rail Solutions, with an annual volume of approximately EUR 11 billion<sup>7</sup> UNIFE World Rail Market Study 2016. The signalling market, for which annual growth of around 4 percent is forecast, is a focus area for TagMaster. Innovation is the key to success in this sub-market. 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. Today, approximately 15 percent<sup>7</sup> UNIFE World Rail Market Study 2016 of the new metro lines built are already designed for driverless operation.

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 market for RFID solutions has many players operating at global level. In addition, RFID has many different applications and several separate technologies. TagMaster is active in a field with demanding applications, where performance is critical.

The major factors in these applications are:

- 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 in safeguarding safety and security under all these conditions.

The market for ANPR solutions is also served by a large number of players geographically spread over many



countries. In some less complex applications, TagMaster also competes with CCTV camera makers, although the Company's main applications are subject to requirements that are not currently met by CCTV technology. Most of the above-mentioned performance requirements also apply to TagMaster's ANPR products.

TagMaster's main competitors in the international market are small, specialist companies, as well as divisions or subsidiaries of large corporate groups. Competitors operate in several European countries, as well as in the USA and Asia. Overall, it is a fragmented market with many small players geographically diversified. This creates attractive opportunities for consolidation.

TagMaster is one of the few players to offer both RFID and ANPR technologies. Against that background, TagMaster envisages that solution-oriented services will become more important than purely product-based solutions. With its clear focus on the Traffic Solutions and Rail Solutions market segments, TagMaster stands out from many of its competitors, who serve a more diversified customer segment. To further improve the Company's competitiveness, TagMaster is annually investing around 15 percent of its revenue in developing products and new solutions.

Company	Country	Traffic Solutions		Rail Solutions
		RFID	ANPR	
<b>TagMaster</b>	<b>Sweden</b>	<b>X</b>	<b>X</b>	<b>X</b>
Nedap	Netherlands	X	X	
Kathrein	Germany	X		
STID	France	X		
Transcore	USA	X		X
Deister	Germany	X		
Capsys	France			X
Survivision	France		X	
Genetec	USA		X	
ARH	Hungary		X	
Tattile	Italy		X	
HTS	Israel		X	
Inex Zamir	Israel		X	
Quercus	Spain		X	
Jenoptik	Germany		X	
Neology/3M	USA	X	X	
Q-free (Dacolian)	Norway		X	
Elsag	USA		X	
Perceptics	USA		X	
MAV	UK		X	

<sup>1</sup> HS Automotive

<sup>2</sup> United Nations, World Urbanization Prospects

<sup>3</sup> Cisco and WSP (digital security in the Smart Cities of the future)

<sup>4</sup> Global Industry Analysts, ITA report April 2014

<sup>5</sup> Transparency Market Research, Global Automatic Number Plate Recognition (ANPR) Market 2014-2020

<sup>6</sup> Global Industry Analyst, Automatic Number Plate Recognition Systems February 2015

<sup>7</sup> UNIFE World Rail Market Study 2016 7 UNIFE World Rail Market Study 2016



## Targets and strategy

**TagMaster is today a growing and profitable company. Two new acquisitions were made in 2017, CA Traffic in the UK and Magsys in France. This is enabling us to strengthen our presence in these major markets. We now stand prepared for further acquisitions. When and what, it is still too early to say. The aggregated sales volume for 2017 was SEK 195.4 million, with the last quarter accounting for SEK 57.6 million.**

### Strong leadership

Everything starts with the board of directors and senior management. What is needed is a shared vision and a clear focus in the organization, as well as a strong CEO who leads the business forward every day. We can be pleased with good continuity, with a highly committed CEO in place since 2012. We also have a strong management team with CFO, CTO and Sales/Marketing Director, all of whom have global responsibility for TagMaster in their particular area.

Our vision and strategy were discussed once again by the Board of Directors over the past year, and we remain on solid ground with both. We will continue to grow in the area of Smart Cities with the focus on Rail and Traffic. This growth will be achieved organically and through complementary acquisitions.

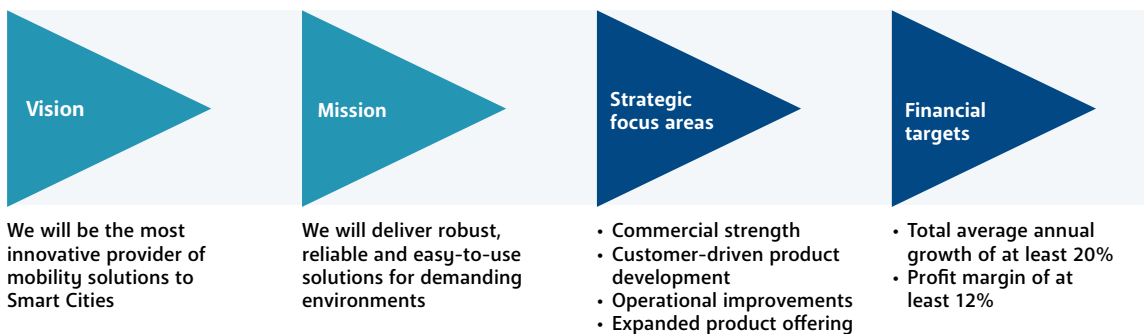
### A strategy

By concentrating on the two segments Traffic and Rail Solutions, we have established where we will seek our success. By narrowing our focus, we have created the wherewithal for growing strong and have set our sights at becoming a leading player in these areas. On that basis, TagMaster will play an important role in intelligent traffic solutions of the future, or, as they are increasingly being called, products and solutions for Smart Cities.

### Organization and finances in place

After completing acquisitions, we operate as one company. 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.





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

#### Profitable business

TagMaster is still a profitable business. Our goal is to further increase the level of profitability in 2018.

#### Growth

Strategy and organization prove their strength by growth and profitability.

#### Additional growth

Additional growth and stronger growth can and will be achieved both organically and via acquisitions. The conditions for further financing to handle growth through acquisitions are considered to be very good in light of the current valuation of the company and the interest it is attracting.

#### Targets

TagMaster's overarching financial targets are unchanged and require annual growth of at least 20 percent annually, 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 is required to be positive. With our financial performance in 2017, we have taken a considerable step towards our profitability target. This has been achieved despite the initial costs in connection with our acquisitions.

#### Strategy

By continuously developing new products, improving distribution and 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. Here, too, product development in close cooperation with our customers plays a very important part.



## Traffic Solutions – everyday solutions

In day-to-day life, many residents of cities and densely-populated areas meet TagMaster's solutions in the Traffic Solutions market segment in many places. These include smart parking solutions, intelligent transport systems – enabling optimal use of road networks, relieving traffic problems and reducing emissions – tolling services and security and access control solutions.

In Traffic Solutions, TagMaster mainly operates in the following solution areas:

- Parking solutions
- Solutions for security and access control
- Tolling services
- Intelligent Transport Systems (ITS)
- Infomobility – solutions in which data are collected, for example, to enable better use to be made of the road network.

### Solution areas

TagMaster's offering in Traffic Solutions is in demand from organizations in transport, traffic, security, parking, airports, seaports, mines, chemical plants and other similar operations. The market for TagMaster's offering in

Traffic Solutions is growing, and it is becoming increasingly common for suppliers able to deliver several of the technology components required to make intelligent traffic solutions possible to be in demand.

### Parking solutions

The parking market is currently undergoing a major shift in that new technology and use of apps and new payment systems have enabled new players to gain market shares. TagMaster offers solutions where parking barriers and ticket machines are replaced by ANPR cameras or RFID scanners, which record the entry and exit of vehicles. All the motorist has to do is drive into a parking space and later out again at his/her convenience and is then charged automatically for precisely the time the





**TagMaster offers solutions for road toll systems. During the past year, readers to road toll installations were delivered to India.**

vehicle has been parked. This is called free-flow parking. It is even possible to make parking solutions so smart that they communicate with a central system that tells motorists when a parking space is vacated. In that way, traffic can be made more efficient, traffic problems reduced and emissions reduced.

#### **Solutions for security and access control**

TagMaster offers solutions for security systems that may be composed of smaller systems that ensure that only authorized vehicles are permitted to enter a specific area. Such areas include ports, business zones or other areas sensitive to access by unauthorized vehicles. Solutions may involve large-scale monitoring systems for cities and districts where ANPR technology, and in some cases RFID technology, can be used to identify a vehicle and its driver, if desirable.

It is also possible to track where a car had been at specific times, which may be used to connect a specific vehicle to a specific crime. Major investments are being and will be made in this type of technology across Europe for numerous reasons, for example as part of efforts to prevent acts of terrorism.

#### **Tolling services**

Road tolls are becoming more common throughout the world on the basis simply that the financing of infrastructure should be borne by those who use it. For environmental and health reasons, it is important in cities that the number of road tolls should increase. TagMaster offers solutions for road toll systems, including identification of vehicles using ANPR technology.

In some cities, such as Stockholm and London, ANPR technology is being used to identify and subsequently charge vehicles when they are driven into the city, in order to reduce traffic in the city centre. The same technology may be used in Paris and Lyon to

identify vehicles with odd or even registration numbers, to check for environmental reasons whether a specific vehicle is permitted to be driven in the city at a specific time.

In many developing countries, modern road toll technology is an attractive first step in tackling the huge problems that fast-growing city areas face, including urgent needs to expand road networks and serious problems with air pollution. In India, for example, road tolls are being used to fund fast expansion of the road network, which is vital in enabling the country to develop.

ANPR technology is also used for a series of other purposes, such as measuring times between different points on a highway, speed surveillance and monitoring bus lanes.

#### **Intelligent Transport Systems (ITS)**

ITS solutions are an important part of the Smart Cities concept. In addition to reducing traffic, ITS solutions lead to fewer accidents and lower vehicle emissions. ITSs also result in reduced fuel consumption and fewer delays, which in turn deliver financial savings and enable sustainable use of our shared resources. Instead of investing in expansion of transport networks, many cities elect for the financial, environmental and social benefits of ITS solutions.

TagMaster offers advanced ITS solutions based on RFID and ANPR technologies. For example, TagMaster's solutions may be used for green traffic flows, automatic green light priority for buses and emergency vehicles and priority lanes where traffic restrictions are necessary. TagMaster's long-distance scanners are installed a long way before the traffic lights and so when vehicles with approved markings pass, a signal is sent to the lights to turn green.

## THE VALUE CHAIN IN TRAFFIC SOLUTIONS



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

### Infomobility

TagMaster offers Infomobility solutions that, with the aid of different sensor types, radar and other information technology, are used to capture data and information that are then processed in various central systems. The results may then be used, for example, to better utilize existing traffic networks and therefore improve the traffic situation in cities and densely-populated contiguous areas, and in that way also to reduce the negative environmental impact of traffic.

Growing traffic problems and rising emissions have led to more and more systems to monitor and control traffic being installed. These advanced systems must be able to manage hundreds of roads and traffic lanes.

In TagMaster's system, ANPR processing takes place in the camera and data is sent back to a database. The system displays real-time traffic information that can also be forwarded to major traffic management systems.

TagMaster offers traffic management solutions and systems able to process huge volumes of information.

TagMaster also offers solutions that are becoming increasingly relevant, such as vehicle classification

systems, systems for counting vehicles, bicycles and pedestrians, journey time calculator systems, pedestrian and bicycle detection systems and weather information systems. All of these applications are important elements of the cities of the future, in which efficient systems to manage bicycle traffic for example will become increasingly important in terms of solving traffic problems.

### From product focus to solution focus

TagMaster is today an international group of companies that operates and has well-established customer relationships throughout the world. The Group has a presence via our own subsidiaries in Sweden, the UK and France, via our own offices in Slovakia and Malaysia and via partners in the USA and China. In all, the Group has more than 150 partners in more than 30 countries.

TagMaster's sales network has historically consisted of a number of national partners, including some large traditional distributors and numerous integrators/installers within traffic, parking, security and access control. In recent years, TagMaster has extended its existing network with more integrators/installers in strategic markets such

### CA TRAFFIC'S TRAFFIC MONITORING PRODUCTS



CityRadar enables volumetric and classified data to be gathered without the use of ground-based sensors for pedestrians, cyclists and traffic vehicles and offers an extensive series of analysis and communication options.



The Evo X camera incorporates the latest image-processing and communication technology. It was developed to meet the NASP requirements of the UK's police and is suitable for use in a broad range of security applications.



Magsys short-stay parking terminals are reviving city centres by offering motorists easier access to businesses and shops. The rate of turnover at the parking spaces with the equipment is rising fast.

as the Nordic region, EMEA and the USA. The intention here is to build up a much larger network of partners to support the Company's growth ambitions.

Via close cooperation and acquisitions of complementary businesses, TagMaster has increasingly moved from a product focus to a solution focus. TagMaster also wants to get closer to its partners and their markets to develop the Company's knowledge of our customers' applications and the future challenges and trends that await them. The aim here is to be able to offer solutions rather than products.

#### TagMaster's place in the value chain

TagMaster is a technology provider in the Smart Cities sector, selling solutions and products to various categories of system integrator, who in turn build solutions and systems. These are then sold on to end-users or operators.

TagMaster does not act a system integrator to end-customers, despite the fact that solutions are in ever greater demand by the larger system integrators. This trend is one of the drivers in TagMaster's development and many of the Company's major projects revolve around being able to present, for example, solutions

where RFID technology is combined with radar and ANPR technology.

#### Production

TagMaster develops and sells its solutions via wholly-owned companies in the Group. TagMaster's products are manufactured by selected contract manufacturers in different parts of the world, mostly in Europe. Ongoing evaluation of the manufacturing units is conducted from the perspective of TagMaster's growth ambitions. This is not done simply to ensure future production volumes; the aim is also to build loyal relationships and establish reliable production planning. In an increasingly competitive market, it is becoming even more important to ensure cost-effective manufacturing that enables TagMaster to offer innovative products at competitive prices at the promised times.

#### Brands

In the Traffic Solutions market segment, TagMaster operates with all five brands: TagMaster, Magsys, CA Traffic, CitySync and Balogh.

# Rail Solutions – safe, efficient and punctual public transport

Every minute, thousands of scans are made via TagMaster's RFID sensors on metro trains, in tram systems and in other railbound traffic throughout the world. The data scanned are used to make safe, efficient, punctual and sustainable public transport possible in major conurbations worldwide.

With its two brands, TagMaster and Balogh, the TagMaster Group is the world's leading provider of advanced RFID-based mobility solutions for railbound traffic and Smart Cities.

TagMaster's RFID solutions are used in a wide range of applications whose purpose is to improve efficiency, reliability and punctuality in public mass transport systems – from trams to light rail vehicles, metro systems and goods train systems.

Leading suppliers of rail signalling systems use TagMaster's high-performance RFID solutions for innovative, large-scale signalling systems, as well as for installing communication-based train control (CBTC) systems.

## Solution areas

In the Rail Solutions market segment, TagMaster operates primarily in signalling and automated train management systems for above all metro trains and trams.

TagMaster is currently focusing on a small number of solution areas (applications and application areas) but aims to broaden its offering as successes are won with existing solutions.

The following is a list of TagMaster's various applications in Rail Solutions application areas:

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

One new area that TagMaster intends to develop is train management systems for longer routes, such as commuter and long-distance services. TagMaster's robust products, with their very high degree of built-in functionality, are a good fit for the Rail Solutions market segment, and what was initially started as a project has today evolved into a well-established market segment with a very strong market offering.

TagMaster's own-developed algorithms for critical applications such as positioning, axle counting and door opening have created a strong value proposition for signalling systems for metro trains and trams.

Diagram showing TagMaster's HD Reader installed under a train with RailTag between the tracks.







The Neihu Line in Taipei's Rapid Transit System uses TagMaster's train positioning system to increase the frequency of services with more trains.

### **Innovation and development**

In 2015, a development project was established, in partnership with several of the Company's rail customers, to develop a new RailTag with double the service life. A RailTag is a sensor that is fitted to rail carriages and trains. This is a much-demanded functionality, given that players in the rail sector strive for as few replacements and interventions in services as possible over the lifetime of the projects, which in most cases is set at 25-30 years. The project was concluded in 2017 and series deliveries began towards year-end.

Integration of the French company Balogh, acquired in autumn 2016, has enabled TagMaster to widen its offering with the applications described above and has boosted the Company's innovative capacity for taking on new applications in future. To intensify our efforts in this area, in 2017 we established a centre of excellence for Rail Solutions in France by amalgamating our Swedish and French areas of expertise, in order to improve our product offering to the leading players in rail signalling.

With the two brands combined, TagMaster and Balogh, the Company is an exciting partner for signalling system producers, with a broadly-based offering and a long history in the industry. TagMaster has the ambition of being the most innovative partner for its customers in the Rail Solutions market segment.

In 2017, TagMaster worked on paring back and streamlining its portfolio of solutions and products in Rail Solu-

tions and, going forward, will focus on developing its offering in line with the Company's expanded business model (engineering, product and support).

### **Few customers and complex projects**

Customers of Rail Solutions are few and consist mostly of producers of signalling systems. TagMaster's business model is based on building even stronger relationships with its customers and conducting more joint technology development projects.

The trend is for most of these players to outsource their technology development, as the automotive industry has done for decades. TagMaster's expertise is a good match for the requirements that will be set for external development partners.

Sales in Rail Solutions are very much linked to projects. Every deal is major and complex and demands a high level of knowledge sharing between TagMaster and the customer. To be able to fully exploit the benefits of TagMaster's technology, our engineers need to be in direct contact with the customer's engineers. In many cases, sales therefore require work on technological adaptation or development for a specific solution that the customer requests. This may involve anything from minor adjustments to major development tasks.

### **Brands**

In the Rail Solutions market segment, TagMaster operates with the two brands TagMaster and Balogh.

# Our employees

**In 2017, TagMaster's R&D organization was expanded through recruitment of additional skilled employees, who, working closely with our customers, are developing products and solutions for Smart Cities.**

## Core values

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

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

These core values form the basis for maintaining and enhancing a sound corporate culture and are to govern how we act both internally and externally in our day-to-day operations.

## Organization

TagMaster's organizational structure is based on the functions established 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 handles tasks requiring country-specific expertise. Examples of such tasks are accounting for taxes and charges, legal financial reporting, and personnel-related matters.

## Stronger organization through acquisitions

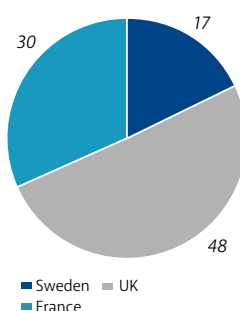
As a result of the acquisitions of recent years, the number of employees at the beginning of 2015 had risen by 77 at year-end 2017. Operations are now conducted

in four countries and in seven different locations. To be able to gain maximum benefit from the complementary expertise in the businesses acquired, a strong focus is placed on integrating and implementing shared processes. As part of the process of integration, a strategy meeting was held in January 2018, attended by representatives of all subsidiaries. At the meeting, TagMaster's core values and the importance of Group-wide processes and values in all functions, despite cultural and geographical differences, was emphasized.

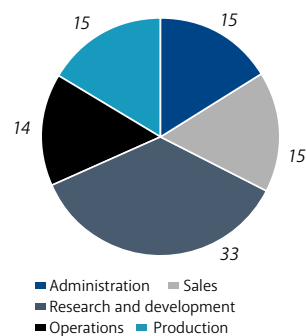
R&D operations are now largely integrated and are conducted, under the leadership of the Group's CTO, by organizations located in Stockholm, Stevenage, Aylesbury, Zilina and Toulouse. During the year, a Group-wide time reporting system was implemented and the method for managing product development takes the form of a product management process that is the same for all companies in the Group.

The integration of employees and the dissemination of TagMaster's core values, and thus in turn its corporate culture, will remain in focus and take place continuously in all functions and in all companies in the Group.

AVERAGE NO. OF EMPLOYEES BY COUNTRY



EMPLOYEES BY FUNCTION AT YEAR-END







Altogether, Johan Franzén, Maria Nordgren and Lars Lindberg have worked for forty years at TagMaster. In different ways, each has helped make TagMaster what it is today.

**Johan Franzén**  
CTO

*"I started at the Company in 2005. At that time, there were only a handful of us in technology, all based in Kista. Today, there are 33 employees in the development department, which collaborates from offices in Sweden, the UK, France and Slovakia. The Company has grown, and today the dynamism and expertise in the development department is on a different level."*

**Maria Nordgren**  
Accounting Manager

*"Being in charge of the financial side, I have been aware at all times of the big financial challenges that the Company has faced. However, with the excellent team spirit and broadly-based skills in the Company, I have always been sure that it was going to be possible to make the Company profitable. Which has now proved to be a correct judgement!"*

**Lars Lindberg**  
Director Production

*"TagMaster has long had excellent products and a recognized brand. However, we were a small outfit and at times struggled with disappointing results. It's been fun and challenging to tackle this together with knowledgeable and creative colleagues in different disciplines. I myself have had to develop with the Company, customers and, last but not least, partners and suppliers in my various roles at TagMaster."*

# Smart Cities

## – from vision to reality

**According to market analyst IDC, we are now moving from visions of Smart Cities to reality. The global technology investments aimed at creating Smart Cities will increase by nearly 70 percent over the next three years to USD 135 billion in 2021, reports IDC.**

The areas in which IDC is seeing the biggest investments in 2018 are intelligent transport, data-driven public safety, energy and infrastructure. As far as global investments are concerned, IDC finds they are highest in intelligent traffic and public transport, as well as in fixed visual surveillance. These are followed by smart lighting and environmental monitoring.

### Traffic management in Smart Cities

The following is real-life example of how TagMaster's solutions for Smart Cities can work.

In a city in the north of England, TagMaster's solution for an effective traffic management system has been integrated into the city's urban traffic management centre (UTMC).

The system is based on a very large number of TagMaster's advanced traffic cameras with ANPR technology, in conjunction with practically all the traffic lights in the area. The many cameras are used to calculate the average journey times on certain main roads. If the journey time is 12 percent longer than normal on these routes, a green wave is opened until the traffic flows as it should. This process is repeated several times a day during peak traffic hours.

The improvements are monitored in the UTMC and the time savings gained via better traffic flows are displayed in a practical way by showing the time saved by motorists, for example, via optimization of traffic lights. All this is made possible, in part, through technology provided by TagMaster.

The journey time information that TagMaster's systems produce in real time is also posted on Twitter and Facebook, via an app and on digital screens along the roads. Local radio stations use the information in their

broadcasts to inform their listeners about journey times and the traffic situation on various route sections.

TagMaster's systems are also used to manage high-volume traffic flows as efficiently as possible during particular events that bring extra strain on traffic, such as football matches, concerts, theatre performances and other similar events.

On match days, traffic is swollen by around 30,000 road users. Of these, approximately 10,000 head for parking spaces close to the stadium, around 10,000 take the metro and some 10,000 first find their way to a pub near the stadium.

Via TagMaster's cameras, the outward and inward flow of cars from and to parking spaces is measured, enabling the UTMC to determine where parking spaces are vacant. This information is then used to optimize the traffic flow to these spaces. This cuts down the searching for parking spaces, improves traffic flows and reduces emissions. The information is also used to post the locations of vacant parking spaces in the information channels mentioned above.

In the same way, the information on the outflows from the parking locations after the match is used to control traffic lights in order to clear the city as quickly and efficiently as possible.

The information collected via the ANPR cameras is also used for analysis of emissions from the traffic. The number plate analysis performed by the cameras shows exactly what type of car is involved and what emissions it generates. While the information is historic, it is used in the discussion of how the emission situation can be improved and whether bans on certain cars in the city centre should be introduced and how use of public transport can be increased.

## The best year in our history

► *"We will maintain our growth via a combination of acquisitions and organic growth."*

2017 has come to an end and I can only congratulate management and employees for the best year in the Company's history. Net revenue increased by 71.6 percent over the period to SEK 195.4 million and operating profit (EBITDA) to SEK 21.8 million, equivalent to an operating margin of 11.2 percent.

A great deal happened in 2017. Two acquisitions with strong links to our main business, Smart Cities, and the acquisition of Balogh was proof of genuine strength during the year. The slightly larger acquisition, CA Traffic, has been merged both organizationally and geographically with the previously acquired CitySync, to form a powerful unit in ANPR and radar. In addition, the acquisition of Magsys was also concluded, with the aim of reinforcing our position in the important French market.

Through these actions, TagMaster has become bigger and more robust, although we remain a small company in a large and growing market. The Company's horizons are also expanding via our growth. We are becoming an attractive partner to, and a potential taker from, other small businesses in the Smart Cities segment. Our area of contacts is widening, and we can see several opportunities. We will maintain our growth via a combination of acquisitions and organic growth. We control organic growth ourselves, while acquisitions are determined by supply and demand and, not least, price.

During the year, it was satisfying to see the organic growth in our three domestic markets, the Nordic region, the UK and France. The USA also performed well during the year and our ANPR products were launched in that market.

Our Rail Solutions business area made good progress. Traffic Solutions showed good growth during the year. We expect to be in a position to make further acquisitions



in 2018. The market for products for Smart Cities is still very fragmented and there are many interesting companies struggling with volume and profitability, and so we are expecting a number of potential candidates to emerge.

Management was strengthened during the year with the recruitment of a sales and market director. Our philosophy of making TagMaster into a business across corporate and national borders has been further consolidated and is today functioning very effectively. Management consists of the CEO, CFO, CTO and the sales and market director, each of whom lead their respective team in all markets and companies.

Management and employees have also performed well once again this year. Growth over the full year was 71.6 percent and cash flow from operating activities ended the year at SEK 20.7 million. Good work!

As I have already said, 2017 was an excellent year that may well be said to have exceeded our expectations. Now, we face new challenges in 2018. Can we have an even better year? As always, there are of course uncertainties, and in addition to opportunities for acquisitions with their risks, the way that the global economy performs in future will affect both our business and those of our customers.

**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. On December 29, 2017, the share price was SEK 1.65, making the market value of the Company SEK 332.3 million (189.6).**

## Share capital

On December 31, 2017, the share capital amounted to SEK 10,069,463.45, represented by 201,389,269 shares with a quotient 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, represented by no less than 100,000,000 shares and no more than 400,000,000 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 share in 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 for 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. In accordance

with the terms established for the warrants, the warrants in issue have been adjusted as a result of dilution arising from the issue of new shares during the year. Following adjustment, each warrant entitles the holder to subscribe for 1.08 shares at a price of SEK 1.13.

On full participation and full exercise of the share warrants, the Company's share capital may increase by a maximum of SEK 182,606 through the issue of a maximum of 3,652,115 Class B shares. The maximum dilution effect from the incentive scheme amounts to approximately 2 percent of the total number of shares and votes in the Company, assuming full subscription and full exercise of all warrants.

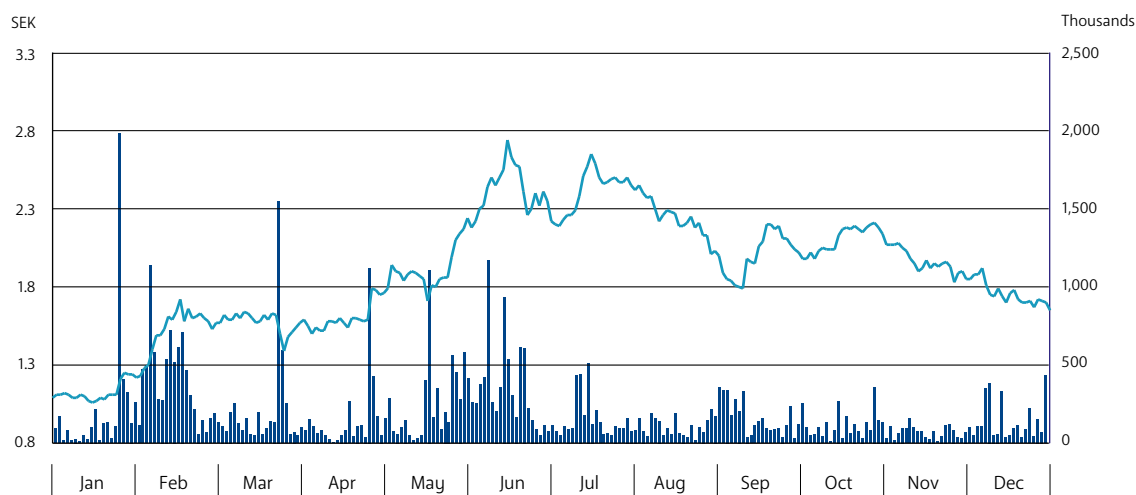
## Dividend policy

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

## Shareholders

The total number of shareholders in TagMaster on December 31, 2017 was 2,634 (2,129). The 10 largest shareholders together held 65.1 percent of the share capital and the corresponding proportion of the votes.

SHARE PRICE 2017



# Company's largest shareholders

Shareholder	No. of Class B shares	Capital, %	Votes, %
Ålandsbanken AB, W8IMY (of which G. Sviberg holds 28,698,517 privately and through companies)	33,263,307	16.52	16.52
CTM Invest AB	23,629,714	11.73	11.73
The Hamilton/Lewenhaupt family, including companies	18,884,612	9.38	9.38
LMK Stiftelsen	15,000,000	7.45	7.45
Jan Westlund	9,450,923	4.69	4.69
Avanza Pension	7,483,570	3.72	3.72
Nordnet Pensionsförsäkring AB	6,292,518	3.12	3.12
Mikael Aronowitsch, including companies and foundation	6,066,701	3.01	3.01
Ribbskottet AB	5,637,367	2.80	2.80
LMK Forward AB	5,410,000	2.69	2.69
<b>Total for 10 largest shareholders</b>	<b>131,118,712</b>	<b>65.11</b>	<b>65.11</b>
Other	70,270,557	34.89	34.89
<b>Total</b>	<b>201,389,269</b>	<b>100.00</b>	<b>100.00</b>

# Changes in share capital

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 quotient value of the shares	–	1,530,000.00	2,000,000	15,000,000	1,700,000.00
1995	Conversion of promissory notes with options	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 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 to Class B shares	–	–	–	35,850,000	3,585,000.00
2008	New share issue	11,648,491	1,164,849.10	–	47,498,491	4,749,849.10
2008	New share issue	8,000	800.00	–	47,506,491	4,750,649.10
2010	New share issue	11,000,000	1,100,000.00	–	58,506,491	5,850,649.10
2011	New share issue	29,253,245	2,925,324.50	–	87,759,736	8,775,973.60
2011	New share issue	7,600,000	760,000.00	–	95,359,736	9,535,973.60
2012	New share issue	12,371,972	1,237,197.20	–	107,731,708	10,773,170.80
2013	Reduction of share capital	–	-5,386,585.40	–	107,731,708	5,386,585.40
2015	New share issue	43,092,683	2,154,634.15	–	150,824,391	7,541,219.55
2015	Directed share issue	17,000,000	850,000.00	–	167,824,391	8,391,219.55
2017	New share issue	33,564,878	1,678,243.90	–	201,389,269	10,069,463.45

# Five-year summary

Income statement, SEK thousands	2017	2016	2015	2014	2013
Net revenue	195,394	113,892	78,975	62,505	50,196
Change in inventories in production and finished goods	2,630	2,631	–	–	–
Other operating income	567	544	47	47	148
<b>Total income</b>	<b>198,591</b>	<b>117,067</b>	<b>79,022</b>	<b>62,552</b>	<b>50,344</b>
Operating expenses	-176,771	-113,260	-76,320	-55,468	-47,568
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>21,820</b>	<b>3,807</b>	<b>2,702</b>	<b>7,084</b>	<b>2,776</b>
Depreciation, amortization and impairment	-7,227	-2,870	-1,365	-170	-93
<b>Operating profit</b>	<b>14,593</b>	<b>937</b>	<b>1,337</b>	<b>6,914</b>	<b>2,683</b>
Net financial items	-432	-432	-50	-174	-303
<b>Profit before tax</b>	<b>14,161</b>	<b>505</b>	<b>1,287</b>	<b>6,740</b>	<b>2,380</b>
Tax	2,909	3,710	1,866	-1,512	-627
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>17,070</b>	<b>4,215</b>	<b>3,153</b>	<b>5,228</b>	<b>1,753</b>

## Balance sheet, SEK thousands

Intangible non-current assets	53,286	32,325	20,358	–	–
Property, plant, and equipment	1,425	948	1,028	92	262
Non-current financial assets	9,135	6,917	4,194	1,861	3,373
Inventories	40,210	22,099	14,372	6,807	6,010
Current receivables	59,526	33,331	17,390	11,688	12,027
Cash and bank balances	23,276	9,903	4,492	5,869	1,397
<b>Total assets</b>	<b>186,858</b>	<b>105,523</b>	<b>61,834</b>	<b>26,317</b>	<b>23,069</b>
Equity	96,731	45,707	44,059	13,493	8,265
Liabilities to credit institutions	7,598	8,567	–	–	3,119
Non-current liabilities	28,370	14,227	1,476	543	326
Current liabilities	54,159	37,022	16,299	12,281	11,359
<b>Total equity and liabilities</b>	<b>186,858</b>	<b>105,523</b>	<b>61,834</b>	<b>26,317</b>	<b>23,069</b>

## Cash flow, SEK thousands

Cash flow before changes in working capital	37,821	10,390	3,154	7,453	2,449
Cash flow from changes in working capital	-17,117	-9,487	2,069	464	-3,658
<b>Cash flow from operating activities</b>	<b>20,704</b>	<b>903</b>	<b>5,223</b>	<b>7,917</b>	<b>-1,209</b>
Cash flow from investing activities	-40,298	-4,034	-35,174	–	-99
Cash flow from financing activities	32,911	8,670	28,619	-3,445	1,098
<b>Cash flow for the period</b>	<b>13,317</b>	<b>5,539</b>	<b>-1,332</b>	<b>4,472</b>	<b>-210</b>

## Key performance indicators

Net revenue, SEK thousands	195,394	113,892	78,975	62,505	50,196
Growth in net revenue, %	71.6	44.2	26.3	24.5	26.7
EBITDA margin, %	11.2	3.3	3.4	11.3	5.5
Operating margin, %	7.5	0.8	1.7	11.1	5.3
Equity/assets ratio, %	51.8	43.3	71.3	51.3	35.8
Return on equity, %	24.0	9.4	11.0	48.1	28.4
Asset turnover ratio	2.5	2.3	2.7	5.0	5.8
Basic earnings per share, SEK	0.09	0.03	0.02	0.05	0.02
Diluted earnings per share, SEK	0.09	0.03	0.02	0.05	0.02
Average number of shares, thousands	187,320	167,824	144,712	107,732	107,732
Number of shares at end of period, thousands	201,389	167,824	167,824	107,732	107,732
Share price at year-end, SEK	1.65	1.13	1.47	0.63	0.50
Average number of employees	95	73	40	14	13

The figures for 2014 and earlier refer to the Parent Company.



# Directors' report 2017

## Operations

TagMaster and subsidiaries ("the Group" or "TagMaster") are an applications-based technology company that develops and sells advanced identification systems and solutions based on radio, radar and camera technologies (RFID and ANPR) for high-demand environments. TagMaster operates in two business areas, Traffic Solutions and Rail Solutions, under the brands TagMaster, CitySync, Balogh, CA Traffic and Magsys SA, with innovative mobility solutions designed to improve efficiency, safety and convenience, as well as to reduce impact on the environment in Smart Cities. TagMaster has specialist agency companies in the USA and China, and exports primarily to Europe, the Middle East, Asia and North America via a global network of partners and system integrators.

## Product development

In recent years, the development team has grown considerably in number. To assure high efficiency, product development is controlled via centralized product management and a project office. Here, resources are channelled to product areas in accordance with the Company's commercial strategy. During the year, development resources were largely used to develop new software functions for ANPR cameras and an all-new RFID scanner. Resources were also invested in a totally new type of radar and safety-critical rail products, as well as in making efficiency improvements to and harmonizing production of the Company's products. The development department has 33 employees (25) and represents the Company's single biggest cost item. The costs of product development over the year amounted to nearly 27 percent (30) of the Group's other external costs and personnel costs.

## Significant events during the year

TagMaster acquired CA Traffic Ltd, based in Aylesbury, England, from Hill & Smith Holdings PLC, taking up ownership on April 27, 2017. CA Traffic, established in 1994, is one of the leading players in traffic monitoring, with an extensive offering of sensor and radar products, ITS application systems and high-quality ANPR camera systems, in the UK. It has supplied local road authorities with traffic monitoring equipment for more than 20 years and has delivered intelligent ANPR camera systems to the UK's police since 2010.

To finance the acquisition, an issue of preferential shares was conducted in May, in which 33,564,878 Class B shares in the Company were issued, resulting in a capital injection of SEK 33.9 million after issue costs.

On December 21, 2017, the Company completed the acquisition of Magsys SA, based in Biarritz, France. Established in 2003, Magsys is one of the leading value-adding distributors in ITS (intelligent transport systems) in France, with a strong position in vehicle identification, journey time information and on-street parking monitoring.

## Anticipated 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, indicating that future growth primarily depends on the Company's own capacity to perform. However, the Group will see periods in the future when growth in sales and profit stall momentarily because its companies are investing for future growth, meaning that costs will come before revenue. To meet market demand and aspire to the position of market-leading provider of advanced RFID, radar and ANPR solutions, TagMaster/CitySync/Balogh/CA Traffic will continue to develop and launch innovative products, refine and expand existing partner networks and recruit additional highly-skilled personnel. Our core business – advanced vehicle identification technology for demanding customers in Rail and Traffic – is viable, and TagMaster will continue to actively seek products, partners and companies that in different ways can perfect our offering to the market, especially in Traffic Solutions. TagMaster will therefore continue to work on actively identifying 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 – a basic condition for building the Smart Cities of the future. With a profitable core business and a positive cash flow, it may be possible for certain acquisitions in the future to be financed via our own resources.

## Revenue and profit

During the year, an increase in sales primarily attributable to the Parent Company's rail business and to

acquired business was recorded. Net revenue amounted to SEK 195.4 million (113.9), a rise of 71.6 percent. Operating profit amounted to SEK 14.6 million (0.9), equivalent to an operating margin of 7.5 percent (0.8).

Costs totalled SEK 106.7 million (64.6). The general increase is attributable to an expanded structure following the acquisition of CA Traffic and that fact that Balogh was part of the Group for the entire year. No direct development costs were capitalized.

### Cash flow and financial position

On December 31, 2017, available liquidity was SEK 35.3 million (21.9) of which bank overdraft facilities totalled SEK 12.0 million (12.0). The equity/assets ratio at the end of the period was 51.8 percent (43.3). Cash flow from operating activities for the full year amounted to SEK 20.7 million (0.9).

Trade receivables totalled SEK 46.3 million (22.2) while trade payables came to SEK 18.7 million (10.6). Inventories totalled SEK 40.2 million (22.1). The explanation for the relatively large increase in inventories and other current assets is that CA Traffic and Magsys are now

included. At both Balogh and CA Traffic, an outsourcing project is in progress at the same time as products are being phased out, partly by offering customers the chance of a final purchase, which has created a temporary build-up of inventory.

### Parent Company

The Parent Company's revenue totalled SEK 90.4 million (79.8). Operating profit for the period amounted to SEK 14.1 million (10.6), with a profit of 10.5 million (12.0) after tax. The Parent Company had an average of 17 (19) employees.

### Personnel

The average number of employees was 95 (73), of whom 24 percent (33) were women. At the end of the year, the Company had 92 (69) employees. Via the acquisition of CA Traffic and Magsys, the Group added a further 40 employees, 13 of whom became excess to requirements as parts of the business were outsourced and efficiencies introduced.

#### Group

Five-year summary (SEK thousands)	2017	2016	2015
Net revenue	195,394	113,892	78,975
Operating profit	14,593	937	1,337
Profit after financial items	14,161	505	1,287
Balance sheet total	186,858	105,523	61,834
Equity/assets ratio, %	51.8	43.3	71.3
Average number of employees	95	73	40

As the Group was established in 2015, no comparative figures exist for previous periods.

#### Parent Company

Five-year summary (SEK thousands)	2017	2016	2015	2014	2013
Net revenue	90,413	79,837	66,468	62,505	50,196
Operating profit	14,063	10,610	7,621	6,914	2,683
Profit after financial items	13,824	10,019	7,310	6,740	2,380
Balance sheet total	142,801	86,476	63,462	26,317	20,406
Equity/assets ratio, %	75.7	72.9	80.5	51.3	27.5
Average number of employees	17	19	16	14	13

### Option programme

In 2015, TagMaster launched its 2015/2018 employee option program comprising a total of five million warrants. Every option holder is entitled to subscribe to one new Class B share in TagMaster for each warrant held. 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. In accordance with the terms established for the warrants, the warrants in issue have been adjusted as a result of dilution arising from the issue of new shares during the year. Following adjustment, each warrant entitles the holder to subscribe for 1.08 shares at a price of SEK 1.13.

### Shareholders

TagMaster AB (publ.) is a listed company with shares traded in the First North marketplace. TagMaster's Certified Advisor is Remium AB. The number of shareholders in TagMaster on December 31, 2017 was 2,634 (2,129). At year-end, the following shareholders held more than 10 percent of the shares in the Company:

### Shareholders

	Number of shares	Holding, %
Ålandsbanken AB, W8IMY (of which G. Sviberg holds 28,698,517 privately and through companies)	33,263,307	16.5
CTM Invest AB	23,629,714	11.7

### Appropriation of profits

(Amounts in SEK)

#### Proposed appropriation of the Company's profit

The following unappropriated profit is available to the AGM:

Retained earnings	29,050,967
Share premium reserve	58,296,566
Net profit for the year	10,506,899
<b>Total</b>	<b>97,854,432</b>
The Board proposes as follows:	
To be carried forward	97,854,432
<b>Total</b>	<b>97,854,432</b>

# 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 2017 accounted for 11 percent of total sales, with the five largest together accounting for 35 percent. The loss of a significant partner may thus have major consequences for the Group. However, as the Group has grown both organically and through acquisitions, there are opportunities to compensate for any losses through new and existing partners in our new domestic markets.

### *Suppliers*

The major share 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 mean, however, that TagMaster is dependent on a small number of suppliers to ensure that deliveries, and thus also sales, are completed. 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 them leave the Group it would have negative impact in the short term. The Group's ability to attract and retain qualified and motivated employees 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 as a result of malfunction, or unexpected damage/loss caused by any of the Group's products, cannot be ruled out. Our customers are given clear information via product specifications and data sheets in order to prevent the occurrence of malfunction or other damage/loss. The products supplied undergo testing and procedures are in place to ensure that the products comply with the relevant specifications. Should any defects or damage/loss nevertheless occur, TagMaster has insurance in place to cover the costs. If these costs exceed the level of insurance cover, this may have consequences to the Group's financial situation.

## Intellectual property rights

To manage the risk of copyright infringement and piracy 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 name TagMaster is a registered trademark.

## Financial risk management

Financial risks can in the first instance 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. The acquisition of companies 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 on the basis of financial, technical and commercial criteria. 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, on the customers' situation and on new technology. These factors may have either a positive or a negative effect on the Group's sales. However, TagMaster's customers are spread over a wide geographical area and are 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*

Not only major and but also minor companies operate in both the RFID and ANPR fields, and competition is stiff. Technological development is moving ahead fast, and the major players are able to make substantial investments and introduce new, competitive technology. Also, new companies with new technology and low prices may become established in the sector and make TagMaster appear less competitive. To meet rising levels of technological competition and to create competitive products for the future, research and development activities have been strengthened and streamlined in Kista and at the Group's other development units in Stevenage, Aylesbury, Zilina and Toulouse.

*Currency risk*

Currency risk is the risk of the Group's financial performance and equity being adversely affected due to changes in exchange rates. The Group is exposed to two types of currency risk: transaction exposure and balance sheet exposure. Transaction exposure concerns currency risk relating to the Group's payment flows in foreign currency. Of the Group's sales in 2017, approximately 96 percent (93) was in a currency other than SEK. Of total external purchases (goods for resale and other external costs), approximately 62 percent (59) were made in foreign currency. To reduce the risk of adverse effects on the Group's financial performance and position due to currency fluctuations, price clauses are included in sales agreements. 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 7,598 thousand on the balance sheet date. The Group's interest-bearing liabilities carry variable interest rates.

*Price risk*

Price risk arises when the Group's costs increase because our suppliers of goods and services raise their prices. Production is outsourced to a small number of suppliers, and through long-term relations we ensure that the prices we pay are in line with market conditions.

**Credit risk**

Historically, the Group's credit losses have been low. 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. Procedures are 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. Customer credit insurance 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 liquidity risk. On December 31, 2017, available liquidity was SEK 35,276 thousand, of which bank overdraft facilities totalled SEK 12,000 thousand.

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

## Consolidated income statement

Amounts in SEK thousand	Note	2017	2016
<b>Operating income etc.</b>			
Net revenue	3	195,394	113,892
Change in inventories in production and finished goods		2,630	2,631
Other operating income	5	567	544
<b>Total operating income</b>		<b>198,591</b>	<b>117,067</b>
<b>Operating expenses</b>			
Raw materials and consumables		-13,505	-1,767
Goods for resale		-55,850	-42,158
Other external costs	6, 7, 8	-38,913	-26,773
Personnel costs	6, 9	-67,797	-37,838
Depreciation/amortization of property, plant, and equipment and intangible non-current assets		-7,226	-2,871
Other operating expenses	6	-707	-4,723
<b>Total operating expenses</b>		<b>-183,998</b>	<b>-116,130</b>
<b>Operating profit</b>		<b>14,593</b>	<b>937</b>
<b>Result from financial investments</b>			
Result from other securities and receivables held as non-current assets	10	56	–
Other interest income and similar items	11	49	4
Interest expenses and similar items	12	-537	-436
<b>Total financial items</b>		<b>-432</b>	<b>-432</b>
<b>Profit after financial items</b>		<b>14,161</b>	<b>505</b>
Tax on net profit for the year	13	2,909	3,710
<b>Net profit for the year</b>		<b>17,070</b>	<b>4,215</b>
Attributable to shareholders in the Parent Company		17,070	4,215
		<b>17,070</b>	<b>4,215</b>
Basic earnings per share		0.09	0.03
Diluted earnings per share		0.09	0.03
Number of shares, average		187,319,608	167,824,391
Number of shares, end of period		201,389,269	167,824,391



## Consolidated balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2017	Dec. 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible non-current assets</b>			
Capitalized development expenditure	14	5,386	–
Goodwill	15	47,900	32,325
<b>Total intangible assets</b>		<b>53,286</b>	<b>32,325</b>
<b>Property, plant, and equipment</b>			
Land and buildings	16	0	0
Leasehold improvements	17	428	462
Equipment, tools, fixtures and fittings	18	997	486
<b>Total property, plant and equipment</b>		<b>1,425</b>	<b>948</b>
<b>Non-current financial assets</b>			
Deferred tax assets	21	7,155	5,291
Other non-current receivables	22	1,980	1,626
<b>Total non-current financial assets</b>		<b>9,135</b>	<b>6,917</b>
<b>Total non-current assets</b>		<b>63,846</b>	<b>40,190</b>
<b>Current assets</b>			
<b>Inventories etc.</b>			
Raw materials and consumables		6,465	6,713
Work in progress		3,753	727
Finished products and goods for resale		29,992	14,659
<b>Total inventories</b>		<b>40,210</b>	<b>22,099</b>
<b>Current receivables</b>			
Trade receivables		46,267	22,165
Other receivables	23	10,608	8,425
Prepayments and accrued income	24	2,651	2,741
<b>Total current receivables</b>		<b>59,526</b>	<b>33,331</b>
<b>Cash and bank balances</b>		<b>23,276</b>	<b>9,903</b>
<b>Total current assets</b>		<b>123,012</b>	<b>65,333</b>
<b>TOTAL ASSETS</b>		<b>186,858</b>	<b>105,523</b>

## Consolidated balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2017	Dec. 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	25		
Share capital		10,069	8,391
Other contributed capital		128,300	95,409
Other equity		-58,708	-62,308
Net profit for the year		17,070	4,215
<b>Total equity</b>		<b>96,731</b>	<b>45,707</b>
<b>Provisions</b>			
Deferred tax liabilities	26	611	–
Other provisions	27	16,993	2,317
<b>Total provisions</b>		<b>17,604</b>	<b>2,317</b>
<b>Non-current liabilities</b>	28		
Liabilities to credit institutions	30	5,598	8,567
Other non-current liabilities		10,766	11,910
<b>Total non-current liabilities</b>		<b>16,364</b>	<b>20,477</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	30	2,000	–
Trade payables		18,736	10,594
Other current liabilities	32	12,705	7,930
Accrued expenses and deferred income	33	22,718	18,498
<b>Total current liabilities</b>		<b>56,159</b>	<b>37,022</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>186,858</b>	<b>105,523</b>

## Consolidated statement of changes in equity

Amounts in SEK thousand	Share capital	Other contributed capital	Other equity incl. net profit for the year	Total equity
<b>Amount at beginning of year, Jan. 1, 2017</b>	<b>8,391</b>	<b>95,409</b>	<b>-58,093</b>	<b>45,707</b>
New share issue	1,678	32,911	–	34,589
Option payments received	–	-20	–	-20
Translation difference for the year	–	–	-615	-615
Net profit for the year	–	–	17,070	17,070
<b>Amount at year-end, Dec. 31, 2017</b>	<b>10,069</b>	<b>128,300</b>	<b>-41,638</b>	<b>96,731</b>

## Consolidated statement of cash flows

Amounts in SEK thousand	Note	2017	2016
<b>Operating activities</b>			
Operating profit		14,593	937
Adjustments for non-cash items	34	21,018	9,885
Interest received		105	0
Interest paid		-484	-432
Tax refund		2,589	3,340
<b>Cash flow from operating activities before changes in working capital</b>		<b>37,821</b>	<b>13,730</b>
<b>Cash flow from changes in working capital</b>			
Reduction (+)/increase (-) in inventories		-7,009	-3,262
Reduction (+)/increase (-) in operating receivables		-8,980	-6,271
Reduction (-)/increase (+) in operating liabilities		-1,128	-3,294
<b>Cash flow from operating activities</b>		<b>20,704</b>	<b>903</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-727	–
Sale of property, plant and equipment		230	0
Acquisition of net assets in Group companies		-39,647	-4,053
Change in non-current receivables		-154	19
<b>Cash flow from investing activities</b>		<b>-40,298</b>	<b>-4,034</b>
<b>Financing activities</b>			
New financial liabilities		–	10,000
Amortization of financial liabilities		-1,000	-1,500
New share issue		33,931	–
Option payments received and refunded		-20	170
<b>Cash flow from financing activities</b>		<b>32,911</b>	<b>8,670</b>
<b>Cash flow for the year</b>		<b>13,317</b>	<b>5,539</b>
Cash and cash equivalents at start of year		9,903	4,492
Exchange rate differences in cash and cash equivalents		56	-128
<b>Cash and cash equivalents at year-end</b>	35	<b>23,276</b>	<b>9,903</b>

## Parent company income statement

Amounts in SEK thousand	Note	2017	2016
<b>Operating income etc.</b>			
Net revenue	3, 4	90,413	79,837
Other operating income	5	0	495
<b>Total operating income</b>		<b>90,413</b>	<b>80,332</b>
<b>Operating expenses</b>			
Goods for resale		-33,587	-31,363
Other external costs	7, 8	-20,115	-17,382
Personnel costs	9	-22,436	-20,977
Other operating expenses		-212	0
<b>Total operating expenses</b>		<b>-76,350</b>	<b>-69,722</b>
<b>Operating profit</b>		<b>14,063</b>	<b>10,610</b>
<b>Result from financial investments</b>			
Result from other securities and receivables held as non-current assets	10	-82	-337
Other interest income and similar items	11	143	67
Interest expenses and similar items	12	-300	-321
<b>Total financial items</b>		<b>-239</b>	<b>-591</b>
<b>Profit after financial items</b>		<b>13,824</b>	<b>10,019</b>
<b>Appropriations</b>			
Group contributions received		0	867
<b>Total appropriations</b>		<b>0</b>	<b>867</b>
<b>Profit before tax</b>		<b>13,824</b>	<b>10,886</b>
Tax on net profit for the year	13	-3,317	1,098
<b>Net profit for the year</b>		<b>10,507</b>	<b>11,984</b>

## Parent company balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2017	Dec. 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Non-current financial assets</b>			
Participations in Group companies	19	88,930	40,428
Receivables from Group companies	20	9,288	12,454
Deferred tax assets	21	2,634	5,291
<b>Total non-current assets</b>		<b>100,852</b>	<b>58,173</b>
<b>Current assets</b>			
<b>Inventories etc.</b>			
Finished products and goods for resale		13,053	9,819
<b>Total current assets</b>		<b>13,053</b>	<b>9,819</b>
<b>Current receivables</b>			
Trade receivables		8,063	12,390
Receivables from Group companies		1,976	867
Other receivables	23	2,092	1,613
Prepayments and accrued income	24	1,383	1,461
<b>Total current receivables</b>		<b>13,514</b>	<b>16,331</b>
<b>Cash and bank balances</b>		<b>15,382</b>	<b>2,153</b>
<b>Total current assets</b>		<b>41,949</b>	<b>28,303</b>
<b>TOTAL ASSETS</b>		<b>142,801</b>	<b>86,476</b>



## Parent company balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2017	Dec. 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	25		
<b>Restricted equity</b>			
Share capital		10,069	8,391
Statutory reserve		216	216
<b>Total restricted equity</b>		<b>10,285</b>	<b>8,607</b>
<b>Unrestricted equity</b>			
Share premium reserve		58,296	25,385
Retained earnings		29,051	17,067
Net profit for the year		10,507	11,984
<b>Total unrestricted equity</b>		<b>97,854</b>	<b>54,436</b>
<b>Total equity</b>		<b>108,139</b>	<b>63,043</b>
<b>Provisions</b>			
Other provisions	27	7,819	2,093
<b>Total provisions</b>		<b>7,819</b>	<b>2,093</b>
<b>Non-current liabilities</b>	28		
Liabilities to credit institutions	30	5,500	8,500
<b>Total non-current liabilities</b>		<b>5,500</b>	<b>8,500</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	30	2,000	–
Trade payables		7,485	5,040
Other liabilities	32	396	394
Accrued expenses and deferred income	33	11,462	7,406
<b>Total current liabilities</b>		<b>21,343</b>	<b>12,840</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>142,801</b>	<b>86,476</b>

## Parent Company statement of changes in equity

Amounts in SEK thousand	Share capital	Statutory reserve	Share premium reserve	Profit carried forward including net profit for the year	Total equity
<b>Amount at beginning of year, Jan. 1, 2017</b>	<b>8,391</b>	<b>216</b>	<b>25,385</b>	<b>29,051</b>	<b>63,043</b>
New share issue	1,678	–	32,911	–	34,589
Net profit for the year		–	–	10,507	10,507
<b>Amount at year-end, Dec. 31, 2017</b>	<b>10,069</b>	<b>216</b>	<b>58,296</b>	<b>39,558</b>	<b>108,139</b>

## Parent Company statement of cash flows

Amounts in SEK thousand	Note	2017	2016
<b>Operating activities</b>			
Operating profit		14,063	10,612
Adjustments for non-cash items	34	1,250	1,056
Interest paid		-186	-321
<b>Cash flow from operating activities before changes in working capital</b>		<b>15,127</b>	<b>11,347</b>
<b>Cash flow from changes in working capital</b>			
Reduction (+)/increase (-) in inventories		-3,234	-1,414
Reduction (+)/increase (-) in operating receivables		2,792	-5,662
Reduction (-)/increase (+) in operating liabilities		5,154	1,479
<b>Cash flow from operating activities</b>		<b>19,839</b>	<b>5,750</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries		-42,711	-5,204
Amortization of long-term receivables from Group companies		4,742	–
Loans to subsidiaries		-1,572	-9,883
<b>Cash flow from investing activities</b>		<b>-39,541</b>	<b>-15,087</b>
<b>Financing activities</b>			
New financial liabilities		–	10,000
Amortization of financial liabilities		-1,000	-1,500
New share issue		33,931	–
<b>Cash flow from financing activities</b>		<b>32,931</b>	<b>8,500</b>
<b>Cash flow for the year</b>		<b>13,229</b>	<b>-837</b>
Cash and cash equivalents at start of year		2,153	2,990
<b>Cash and cash equivalents at year-end</b>	35	<b>15,382</b>	<b>2,153</b>

# 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 BFAR 2012:1 (K3) are applied in the preparation of financial statements.

### Accounting currency

The annual financial statements have been prepared in Swedish kronor (SEK), 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. The Group's 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 goodwill on consolidation. This value is amortized in the consolidated financial statements 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.

Intra-Group gains are eliminated in full.

The current method is applied for the translation of foreign subsidiaries. In this, balance sheets are translated at the closing exchange rate and income statements are translated at average exchange rates for the period. Any translation differences arising are taken directly to the Group's equity.

### Participations in Group companies

In the Parent Company, participations in Group companies are initially recognized at acquisition cost, including any transaction costs directly attributable to the acquisition of these participating interests. Issue payments and shareholder contributions are included in the acquisition cost. 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 may 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 that are exposed to an insignificant risk of value fluctuations.

### Valuation principles etc.

Assets, provisions and liabilities are valued at acquisition cost, 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 acquisition 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.

Capitalised development expenditure*	5 years
Goodwill	5–10 years
Equipment	3–5 years
Leasehold improvements	Over the length of the contract

Goodwill is amortized over 5–10 years, based on the judgement that the acquisitions to which the asset is attributable will generate benefits for at least that period. The investments are long-term, with the intention of driving international expansion and broadening the product offering.

\*This item has arisen through acquisition of businesses (subsidiaries) and at acquisition consisted of capitalized development expenditure for fully-developed products. Capitalized development expenditure is amortized on the basis of the estimated useful life of 5 years, which is based in turn on analyses of how long the asset is expected to generate value for the Group.

**Borrowing costs**

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

**Leases**

Lease agreements are classified as either financial or operating leases. Financial leases exist when the economic risks and benefits associated with the leased object have in all material respects been transferred to the lessee. Otherwise, they are classified as operating leases. The Group has no significant financial lease agreements, and thus all leases are recognized as operating leases and the lease payments distributed on a straight-line basis over the lease period.

**Financial instruments**

Financial assets and liabilities are recognized according to the cost method. Financial assets in the form of securities are recognized at acquisition cost, including any transaction costs directly attributable to the acquisition of the asset. Long-term securities held as fixed assets and ownership interests in other companies where the fair value is lower than the carrying amount are written down to the fair value if the decrease in value may be assumed to be permanent.

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

Non-current receivables are valued at acquisition cost or net realizable value, whichever is the lower. Non-current liabilities that are expected to be settled within 12 months are recognized at their nominal amount.

**Receivables and liabilities in foreign currencies**

Receivables and liabilities in foreign currencies are converted at the closing rate. The difference between the acquisition cost and the closing value is recognized in the income statement.

**Impairment**

If there is any indication of an impairment loss for an asset, its recoverable amount is calculated. If the carrying amount for the

asset exceeds its recoverable amount, the asset is written down to this value. The recoverable amount is defined as market value or value in use, whichever is the higher. 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 includes 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, the tax is also recognized in equity. Deferred tax is recognized using the balance sheet method for all material 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.

Deferred tax assets are recognized 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 acquisition cost or net realizable value, whichever is the lower. To determine the acquisition cost, weighted average prices are used.

**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 at retirement are of the defined-contribution type. In a defined-contribution plan, the company makes predetermined contributions to a separate legal entity. The company has no further obligations once the contribution has been paid.

## Note 2 • Estimates and assumptions

The Company's management makes estimates and assumptions about the future. Actual outcomes rarely correspond to such estimates. The estimates and assumptions that may lead to a risk of substantial adjustments to the carrying amounts of assets and liabilities are, primarily, measurement of goodwill and calculation of additional purchase considerations. Calculation of other provisions also involves a certain degree of risk that the outcome will

not be as anticipated, which may make it necessary to adjust the carrying amounts. Every year, a test is performed to determine whether there is any indication that the value of assets is lower than the carrying amount. If such an indication is found, the recoverable amount for the asset is calculated; this is taken as either the fair value of the asset less selling expenses or value in use, whichever is the lower.

## Note 3 • Breakdown of net revenue

Geographic market	Group		Parent Company	
	2017	2016	2017	2016
EMEA	126,931	71,557	39,626	39,198
Asia Pacific	35,523	14,435	23,504	13,745
Americas	32,940	27,900	27,283	26,894
<b>Total</b>	<b>195,394</b>	<b>113,892</b>	<b>90,413</b>	<b>79,837</b>

Business segment	Group		Parent Company	
	2017	2016	2017	2016
Traffic	101,015	61,927	48,705	39,347
Rail	78,096	45,865	40,480	40,490
Industry/Other	16,283	6,099	1,228	–
<b>Total</b>	<b>195,394</b>	<b>113,892</b>	<b>90,413</b>	<b>79,837</b>

## Note 4 • Intra-Group purchases and sales

	Parent Company	
	2017	2016
Proportion of sales attributable to Group companies, %	0.1	0
Proportion of purchases attributable to Group companies, %	0.7	0

## Note 5 • Other operating income

Business segment	Group		Parent Company	
	2017	2016	2016	2016
Insurance settlements	–	–	–	–
Exchange rate differences	45	495	0	495
Sale of equipment	164	49	–	–
Other	358	–	–	–
<b>Total</b>	<b>567</b>	<b>544</b>	<b>0</b>	<b>495</b>

## Note 6 • Exceptional costs

Exceptional costs	Group		Reported in income statement as:
	2017	2016	
Restructuring costs, CitySync	–	801	Other operating expenses
Restructuring costs, Balogh	–	1,522	Other operating expenses
Impairment loss, project costs, CitySync	–	2,400	Other operating expenses
Restructuring costs, CA Traffic and Balogh	5,875	–	Personnel costs
Restructuring costs, CA Traffic	767	–	Other external costs
Impairment losses on inventories, CA Traffic and Balogh	1,971	–	Raw material and consumables and Goods for resale
<b>Total</b>	<b>8,613</b>	<b>4,723</b>	

Exceptional costs in 2017 were attributable to the change process under way at CA Traffic and Balogh. The restructuring costs in 2016 at CitySync and Balogh related primarily to the winding-up of the business segment, which required for example personnel cutbacks. The impairment loss on project costs refers to project activities acquired that are not part of the current business. The Parent Company's income statement does not include any costs that are regarded as exceptional.



## Note 7 • Lease payments

	Group		Parent Company	
	2017	2016	2017	2016
<b>Operating leases, including rent for premises</b>				
Lease payments, cost for the year	4,567	4,903	1,343	1,329
<b>The remaining lease payments fall due as follows:</b>				
Within one year	4,730	4,182	1,360	1,340
Later than one year but within five years	7,003	5,860	111	1,425
Later than five years	2,644	–	–	–
<b>Total</b>	<b>14,377</b>	<b>10,042</b>	<b>1,471</b>	<b>2,765</b>

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

## Note 8 • Remuneration to auditors

	Group		Parent Company	
	2017	2016	2017	2016
<b>Fees and expenses</b>				
<i>Mazars</i>				
Audit assignment	1,046	290	460	290
Other audit activities	–	–	–	–
Tax advisory services	46	–	5	–
Other services	227	–	40	–
<b>Total</b>	<b>1,319</b>	<b>290</b>	<b>505</b>	<b>290</b>
<i>Other auditing firm</i>				
Audit assignment	–	249	–	–
Tax advisory services	–	21	–	–
Other services	31	143	–	–
<b>Total</b>	<b>31</b>	<b>413</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1,350</b>	<b>703</b>	<b>505</b>	<b>290</b>

## Note 9 • Average number of employees; salaries and other remuneration

	2017		2016	
	Number of employees	Of whom, men	Number of employees	Of whom, men
<b>Average number of employees</b>				
<b>Parent Company</b>				
Sweden	17	14	19	15
<b>Subsidiaries</b>				
United Kingdom	48	42	18	16
France	30	16	36	18
<b>Total, subsidiaries</b>	<b>78</b>	<b>58</b>	<b>54</b>	<b>34</b>
<b>Group total</b>	<b>95</b>	<b>72</b>	<b>73</b>	<b>49</b>

	2017		2016	
	Women	Men	Women	Men
<b>Gender representation among senior executives</b>				
Board of Directors	0	5	0	5
CEO and other management	1	4	1	4

## Note 9 (cont.)

	Board, CEO and other senior executives		Other		Total	
Salaries and remuneration, by senior executives and other employees	2017	2016	2017	2016	2017	2016
Parent Company	5,683	4,596	8,079	9,293	13,762	13,889
Subsidiaries	2,198	448	28,441	14,133	30,639	14,581
<b>Group total</b>	<b>7,881</b>	<b>5,044</b>	<b>36,520</b>	<b>23,426</b>	<b>44,401</b>	<b>28,470</b>

	Salaries and other remuneration		Social security contributions		Of which, pension costs	
Salaries and remuneration, by senior executives and other employees	2017	2016	2017	2016	2017	2016
Parent Company	13,762	13,889	7,468	6,630	2,401	2,181
Subsidiaries	30,639	14,581	8,346	2,473	1,703	164
<b>Group total</b>	<b>44,401</b>	<b>28,470</b>	<b>15,814</b>	<b>9,103</b>	<b>4,104</b>	<b>2,345</b>

	2017				2016			
Remuneration to Board, CEO and other senior executives	Fee/salary	Variable remuneration	Pension cost	Other	Fee/salary	Variable remuneration	Pension cost	Other
Rolf Nordberg, Chairman	250	–	–	–	250	–	–	–
Joseph Grillo, Board member	100	–	–	–	100	–	–	100
Örjan Johansson, Board member	100	–	–	–	100	–	–	–
Magnus Jonsson, Board member	100	–	–	–	100	–	–	–
Gert Sviberg, Board member	100	–	–	–	100	–	–	–
<b>Other senior executives</b>				–				
Jonas Svensson, CEO	1,896	915	577	158	1,838	600	477	–
Other senior executives (5)	5,985	–	603	–	1,856	–	385	–
<b>Total</b>	<b>8,531</b>	<b>915</b>	<b>997</b>	<b>158</b>	<b>4,344</b>	<b>600</b>	<b>862</b>	<b>100</b>

The CEO has a notice period of six months if employment is terminated at his request. In the event that employment is terminated by the Company, a notice period of 12 months applies.

## Note 10 • Result from other securities and receivables held as fixed assets

	Group		Parent Company	
	2017	2016	2017	2016
Exchange rate losses on non-current receivables from subsidiaries	–	–	-138	-337
Exchange rate gains arising from acquisitions of subsidiaries	56	–	56	–
<b>Total</b>	<b>56</b>	<b>–</b>	<b>-82</b>	<b>-337</b>

## Note 11 • Other interest income and similar items

	Group		Parent Company	
	2017	2016	2017	2016
Interest expenses, Group companies	–	–	143	67
Other interest income	49	4	0	0
<b>Total</b>	<b>49</b>	<b>4</b>	<b>143</b>	<b>67</b>

## Note 12 • Interest expenses and similar items

	Group		Parent Company	
	2017	2016	2017	2016
Interest expenses	-372	-219	-300	-219
Stamp duty on business mortgage	-	-100	-	-100
Other financial expenses	-165	-117	0	-2
<b>Total</b>	<b>-537</b>	<b>-436</b>	<b>-300</b>	<b>-321</b>

## Note 13 • Tax on net profit for the year

	Group		Parent Company	
	2017	2016	2017	2016
Current tax	2,813	2,612	-	-
Deferred tax	96	1,098	-3,317	1,098
<b>Total</b>	<b>2,909</b>	<b>3,710</b>	<b>-3,317</b>	<b>1,098</b>
<i>Theoretical tax</i>				
Recognized income before tax	14,161	505	13,824	10,888
Tax at current tax rate, 22%	-3,115	-111	-3,041	-2,395
<i>Reconciliation of recognized tax</i>				
Effect of foreign tax rate	1,114	-343	-	-
Effect of non-deductible expenses	-275	-259	-275	-259
Effect of non-taxable income	0	0	-	0
Effect of amortization of goodwill on consolidation	-1,149	-562	-	-
Effect of other adjustments to income on consolidation	360	76	-	-
Effect of unrecognized loss carry-forwards	-1,888	-1,509	-	-
Effect of previously used, unrecognized loss carry-forwards	1,341	245	-	-
Effect of recognized loss carry-forwards from earlier years	4,046	3,599	-	3,599
Effect from previous years	-	-38	-	153
Other*	2,475	2,612	-	-
<b>Total</b>	<b>2,909</b>	<b>3,710</b>	<b>-3,317</b>	<b>1,098</b>

\*Tax receivable of SEK 2,475 thousand (2,612) based on Balogh's development expenditure incurred.

## Not 14 • Capitalized development expenditure

	Group		Parent Company	
	2017	2016	2017	2016
Taken over at acquisition	16,974	-	-	-
Translation difference for the year	-352	-	-	-
<b>Closing accumulated acquisition cost</b>	<b>16,622</b>	<b>-</b>	<b>-</b>	<b>-</b>
Opening depreciation/amortization				
Taken over at acquisition	-10,003	-	-	-
Depreciation/amortization for the year	-1,423	-	-	-
Translation difference for the year	190	-	-	-
<b>Closing accumulated depreciation/amortization</b>	<b>-11,236</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>	<b>5,386</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Consists in its entirety of confirmed capitalized development expenditure carried forward that was included at acquisition of business.

## Note 15 • Goodwill

	Group		Parent Company	
	2017	2016	2017	2016
Opening acquisition cost	35,727	21,373	–	–
Business combinations	20,880	16,335	–	–
Translation difference for the year	-5	-1,981	–	–
<b>Closing accumulated acquisition cost</b>	<b>56,602</b>	<b>35,727</b>	–	–
Opening depreciation/amortization	-3,402	-1,015	–	–
Depreciation/amortization for the year	-5,221	-2,554	–	–
Translation difference for the year	-79	167	–	–
<b>Closing accumulated depreciation/amortization</b>	<b>-8,702</b>	<b>-3,402</b>	–	–
<b>Carrying amount</b>	<b>47,900</b>	<b>32,325</b>	–	–

## Note 16 • Land and buildings

	Group		Parent Company	
	2017	2016	2017	2016
Opening acquisition cost	825	–	–	–
Taken over at acquisition	–	825	–	–
<b>Closing accumulated acquisition cost</b>	<b>825</b>	<b>825</b>	–	–
Opening depreciation/amortization	-825	-825	–	–
<b>Closing accumulated depreciation/amortization</b>	<b>-825</b>	<b>-825</b>	–	–
<b>Carrying amount</b>	<b>0</b>	<b>0</b>	–	–

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

## Note 17 • Leasehold improvements

	Group		Parent Company	
	2017	2016	2017	2016
Opening acquisition cost	789	874	–	–
Taken over at acquisition	184	–	–	–
Reclassification	1,704	–	–	–
Translation difference for the year	-20	-85	–	–
<b>Closing accumulated acquisition cost</b>	<b>2,657</b>	<b>789</b>	–	–
Opening depreciation/amortization	-327	-117	–	–
Taken over at acquisition	-128	–	–	–
Depreciation/amortization for the year	-273	-219	–	–
Reclassification	-1,513	–	–	–
Translation difference for the year	12	9	–	–
<b>Closing accumulated depreciation/amortization</b>	<b>-2,229</b>	<b>-327</b>	–	–
<b>Carrying amount</b>	<b>428</b>	<b>462</b>	–	–

## Note 18 • Equipment, tools, fixtures and fittings

	Group		Parent Company	
	2017	2016	2017	2016
Opening acquisition cost	6,658	3,614	3,265	3,265
Purchases	727	19	–	–
Taken over at acquisition	3,698	3,101	–	–
Sales and disposals	-1,180	–	–	–
Reclassification	37	–	–	–
Translation difference for the year	-9	-76	–	–
<b>Closing accumulated acquisition cost</b>	<b>9,931</b>	<b>6,658</b>	<b>3,265</b>	<b>3,265</b>
Opening depreciation/amortization	-6,172	-6,054	-3,265	-3,265
Depreciation/amortization for the year	-309	-99	–	–
Taken over at acquisition	-3,342	–	–	–
Sales and disposals	1,114	–	–	–
Reclassification	-218	–	–	–
Translation difference for the year	-7	-19	–	–
<b>Closing accumulated depreciation/amortization</b>	<b>-8,934</b>	<b>-6,172</b>	<b>-3,265</b>	<b>-3,265</b>
<b>Carrying amount</b>	<b>997</b>	<b>486</b>	<b>0</b>	<b>0</b>

## Note 19 • Participations in Group companies

Parent Company					Carrying amount	
Company	Corp. id. no.	Reg. office	Number of	Share of equity	2017	2016
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	5,204
CA Traffic	2,964,439	Aylesbury	1,000	100%	32,370	–
Magsys SA	444 799 035	Biarritz	11,320	100%	16,132	–
					<b>88,930</b>	<b>40,428</b>

### 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	
	2017	2016
Opening acquisition cost	40,428	35,224
Purchases	48,502	5,204
<b>Carrying amount</b>	<b>88,930</b>	<b>40,428</b>

During the year, subsidiaries CA Traffic Limited and Magsys SA were acquired. For further information, see Note 36.



## Note 20 • Receivables from Group companies

	Group		Parent Company	
	2017	2016	2017	2016
Opening acquisition cost	–	–	12,454	2,847
Lending	–	–	1,572	9,876
Amortization	–	–	-4,742	–
Accrued interest	–	–	143	67
Translation difference for the year	–	–	-139	-336
<b>Carrying amount</b>	<b>–</b>	<b>–</b>	<b>9,288</b>	<b>12,454</b>

## Note 21 • Deferred tax assets

	Group		Parent Company	
	2017	2016	2017	2016
Opening acquisition cost	5,291	4,194	5,291	4,194
Change via acquisitions	986	–	–	–
Utilized during the year	-3,896	-2,501	-3,316	-2,501
Capitalization of claims regarding tax loss carry-forwards	4,046	3,598	–	3,598
Effect of deductible share issue costs on deferred tax	658	–	658	–
Translation difference for the year	69	–	–	–
<b>Carrying amount</b>	<b>7,155</b>	<b>5,291</b>	<b>2,634</b>	<b>5,291</b>

The deferred tax asset consists for the most part of a recognized tax loss carry-forward. All tax loss carry-forwards are unlimited in time. The tax loss carry-forwards amount to SEK 147,865 thousand (128,783). The deferred tax asset refers to a valuation of SEK 26,745 thousand (24,054) of these loss carry-forwards.

## Note 22 • Other non-current receivables

	Group		Parent Company	
	2017	2016	2017	2016
Opening acquisition cost	1,626	–	–	–
Taken over at acquisition	94	1,609	–	–
Plus:	827	–	–	–
Amortization/decrease	-619	–	–	–
Translation difference for the year	52	17	–	–
<b>Carrying amount</b>	<b>1,980</b>	<b>1,626</b>	<b>–</b>	<b>–</b>

Other non-current receivables, SEK 952 thousand, consist of Balogh's deposits with a factoring company and lease deposits of SEK 1,028 thousand.

## Note 23 • Other receivables

	Group		Parent Company	
	2017	2016	2017	2016
Tax assets	3,332	3,473	391	428
VAT receivable	3,449	1,587	1,701	1,185
Advance payments to suppliers	3,471	2,754	–	–
Other receivables	356	612	–	–
<b>Total</b>	<b>10,608</b>	<b>8,426</b>	<b>2,092</b>	<b>1,613</b>

The tax asset includes a receivable concerning a tax payment of SEK 2,476 thousand (2,612) based on accrued development costs that are expected to be incurred by Balogh SA in 2018.

## Note 24 • Prepayments and accrued income

	Group		Parent Company	
	2017	2016	2017	2016
Prepaid rent	609	966	312	307
Prepaid insurance	918	675	593	468
Other prepaid expenses	1,124	1,100	478	686
<b>Carrying amount</b>	<b>2,651</b>	<b>2,741</b>	<b>1,383</b>	<b>1,461</b>

## Note 25 • Equity

The number of shares in issue is 201,389,269, each with a face value of SEK 0.05.

## Note 26 • Deferred tax liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Opening carrying amount	–	–	–	–
Taken over at acquisition	556	–	–	–
Provision for the year	55	–	–	–
<b>Carrying amount</b>	<b>611</b>	<b>–</b>	<b>–</b>	<b>–</b>

Temporary differences exist in the following items.

Group	Deferred tax asset		Deferred tax liability	
	2017	2016	2017	2016
Intangible non-current assets	127	–	611	–
Inventories	257	–	–	–
Tax loss carry-forwards	6,771	5,291	–	–
<b>Carrying amount</b>	<b>7,155</b>	<b>5,291</b>	<b>611</b>	<b>–</b>

Parent Company	Deferred tax asset		Deferred tax liability	
	2017	2016	2017	2016
Tax loss carry-forwards	2,634	5,291	–	–
<b>Carrying amount</b>	<b>2,634</b>	<b>5,291</b>	<b>–</b>	<b>–</b>

At December 31, 2017, tax loss carry-forwards in the Group totalled SEK 147,865 thousand (128,783). At December 31, 2017, tax loss carry-forwards in the Parent Company totalled SEK 11,971 thousand (24,054). All tax loss carry-forwards are unlimited in time. Of the tax loss carry-forwards, SEK 26,745 thousand (24,054) was recognized in the Group and SEK 11,971 thousand (24,054) in the Parent Company.

## Note 27 • Other provisions

	Group		Parent Company	
	2017	2016	2017	2016
Guarantee provisions	8,857	2,317	3,130	2,093
Restructuring measures	3,447	–	–	–
Additional purchase consideration, Magsys SA	4,689	–	4,689	–
<b>Total</b>	<b>16,993</b>	<b>2,317</b>	<b>7,819</b>	<b>2,093</b>

	Group		Parent Company	
	2017	2016	2017	2016
<i>Guarantee provisions</i>				
Opening carrying amount	2,317	1,476	2,093	1,043
Provision for the year	6,431	1,050	1,037	1,050
Settlement for the year	-16	-166	–	–
Translation difference for the year	125	-43	–	–
<b>Carrying amount</b>	<b>8,857</b>	<b>2,317</b>	<b>3,130</b>	<b>2,093</b>

These provisions relate to possible future commitments in connection with extended projects.

	Group		Parent Company	
	2017	2016	2017	2016
<i>Restructuring measures</i>				
Provision for the year	3,447	–	–	–
<b>Carrying amount</b>	<b>3,447</b>	<b>–</b>	<b>–</b>	<b>–</b>

The provision for restructuring measures is personnel-related and refers to the change processes under way at the Group's foreign subsidiaries. Settlement is anticipated within 12 months.

	Group		Parent Company	
	2017	2016	2017	2016
<i>Additional purchase consideration, Magsys SA</i>				
Provision for the year	4,689	–	–	–
<b>Carrying amount</b>	<b>4,689</b>	<b>–</b>	<b>–</b>	<b>–</b>

The long-term portion of the additional purchase consideration is based on the future operating margin of the acquired business, and must be settled by no later than April 30, 2020. The provision is recognized at the present value of the estimated future payments required to settle the additional purchase consideration. The nominal amount is SEK 4,984 thousand.

## Note 28 • Non-current liabilities

	Group		Parent Company	
	2017	2016	2017	2016
<i>Maturing later than 5 years after the balance sheet date</i>				
Liabilities to credit institutions	–	500	–	500
Other liabilities	7,562	7,309	–	–
<b>Total</b>	<b>7,562</b>	<b>7,809</b>	<b>–</b>	<b>500</b>

Other non-current liabilities consist of liabilities of SEK 10,766 thousand that creditors in Balogh's composition arrangement opted to have repaid to them over eight years.

## Note 29 • Pledged assets

	Group		Parent Company	
	2017	2016	2017	2016
<i>Assets pledged for liabilities to credit institutions</i>				
Business mortgages	21,800	21,800	21,800	21,800
<b>Total</b>	<b>21,800</b>	<b>21,800</b>	<b>21,800</b>	<b>21,800</b>

## Note 30 • Liabilities to credit institutions

	Group		Parent Company	
	2017	2016	2017	2016
Non-current portion	5,598	8,567	5,500	8,500
Current portion	2,000	–	2,000	–
<b>Total</b>	<b>7,598</b>	<b>8,567</b>	<b>7,500</b>	<b>8,500</b>

## Note 31 • Bank overdraft facilities

	Group		Parent Company	
	2017	2016	2017	2016
Overdraft facilities granted amount to	12,000	12,000	12,000	12,000
Unutilized credit on balance sheet date	-12,000	-12,000	-12,000	-12,000
<b>Utilized credit on balance sheet date</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 32 • Other liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Advance payments from customers	7,634	4,755	4	6
VAT and other tax-related items	3,268	2,876	392	388
Composition liabilities – Balogh	1,608	–	–	–
Other	195	299	–	–
<b>Carrying amount</b>	<b>12,705</b>	<b>7,930</b>	<b>396</b>	<b>394</b>

## Note 33 • Accrued expenses and deferred income

	Group		Parent Company	
	2017	2016	2017	2016
Personnel-related costs	5,521	7,844	4,516	3,652
Other accrued expenses	12,562	6,463	5,204	3,174
Deferred income	926	750	–	–
Accrued sales commission payments	745	580	745	580
Restructuring costs	1,967	2,861	–	–
Additional purchase consideration, Magsys SA	997	–	997	–
<b>Carrying amount</b>	<b>22,718</b>	<b>18,498</b>	<b>11,462</b>	<b>7,406</b>

## Note 34 • Non-cash items

	Group		Parent Company	
	2017	2016	2017	2016
Depreciation/amortization	7,226	2,870	–	–
Provisions and accrued expenses	14,110	6,868	1,337	1,050
Translation difference for internal transactions	-154	147	–	–
Capital gains from non-current assets	-164	–	–	–
Exchange rate differences	–	–	56	6
Intra-Group interest	–	–	-143	0
<b>Total</b>	<b>21,018</b>	<b>9,885</b>	<b>1,250</b>	<b>1,056</b>

## Note 35 • Cash and cash equivalents

	Group		Parent Company	
	2017	2016	2017	2016
Cash in hand	9	188	–	–
Bank balances	23,267	9,715	15,382	2,153
<b>Total cash and cash equivalents</b>	<b>23,276</b>	<b>9,903</b>	<b>15,382</b>	<b>2,153</b>

## Note 36 • Business combinations

On April 26, 2017, TagMaster AB acquired 100% of the shares in CA Traffic Limited.

### Fair value of acquired assets and liabilities assumed

Intangible non-current assets	6,971
Goodwill	12,916
Property, plant, and equipment	352
Non-current financial assets	602
Current assets	19,525
Cash and cash equivalents	1,474
Current liabilities	-9,470
<b>Total fair value of acquired net assets</b>	<b>32,370</b>
<b>Net assets attributable to shareholders in the Parent Company</b>	<b>32,370</b>

Since the date of acquisition, CA Traffic has contributed SEK 28,728 thousand in net revenue and SEK -7,114 thousand in operating income. If the acquisition had taken place at the beginning of the year, the contribution to net revenue would have been SEK 45,800 thousand and the operating profit would have been charged with SEK -7,092 thousand. As the investment in CA Traffic is long-term and is thought to generate benefits over a long period of time through an increased presence in the European market and an expanded product offering, it is deemed that a period of 5 years for amortization of goodwill is justified.

On December 21, 2017, TagMaster AB acquired 100% of the shares in Magsys SA.

### Fair value of assets acquired and liabilities assumed

Goodwill	7,964
Property, plant, and equipment	60
Non-current financial assets	489
Current assets	10,858
Cash and cash equivalents	1,695
Current liabilities	-4,934
<b>Total fair value of acquired net assets</b>	<b>16,132</b>
<b>Net assets attributable to shareholders in the Parent Company</b>	<b>16,132</b>

Since the date of acquisition, Magsys SA has not made any contribution of either net revenue or operating profit. If the acquisition had taken place at the beginning of the year, the contribution to net revenue would have been SEK 23,500 thousand and the operating profit would have been increased by around SEK 1,500 thousand. With its well-established market channels, Magsys SA is expected to generate benefits over several years and so a period of 5 years for amortization of goodwill is considered justified.

## Note 37 • Significant events after the end of the financial year

No significant events have occurred since the end of the financial year.

## Note 38 • Appropriation of profits

(Amounts in SEK)

### Proposed appropriation of the Company's profit

The following unappropriated profit is available to the AGM:

Retained earnings	29,050,967
Share premium reserve	58,296,566
Net profit for the year	10,506,899
	<b>97,854,432</b>

The Board proposes as follows:

To be carried forward	97,854,432
	<b>97,854,432</b>



# Declaration

Kista, March 22, 2018

Rolf Norberg  
Chairman

Joseph Grillo

Örjan Johansson

Magnus Jonsson

Gert Sviberg

Jonas Svensson  
Chief Executive Officer

Our audit report was submitted on March 23, 2018

Mazars SET Revisionsbyrå AB

Mikael Fredstrand  
Authorized Public Accountant

# Audit report

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

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

### Opinions

We have conducted an audit of the annual accounts and the consolidated accounts for TagMaster AB (publ) for the 2017 financial year.

In our opinion, the annual accounts and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present in all material respects a true and fair view of the financial position of the parent company and the group as at December 31, 2017 and of their financial performance and cash flow for the year in accordance with the Swedish Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing practice in Sweden. Our responsibilities under these standards are more fully described in the section Auditor's responsibilities. In accordance with generally accepted accounting practice in Sweden, we are independent of the parent company and the group and have otherwise fulfilled our professional ethical responsibilities in line with the requirements stated therein.

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

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

The Board of Directors and the CEO are responsible for such other information. The other information is presented on pages 1–26 and 57–59. Our statement of opinion regarding the annual accounts and the consolidated accounts does not include this information, and we state no opinion in assurance of this other information.

As part of our audit of the annual accounts and the consolidated accounts, it is our responsibility to read the

information identified above and to consider whether that information is materially incompatible with the annual accounts and the consolidated accounts. During this review, we also take into account the knowledge we have otherwise acquired during the audit and make a judgement as to whether the information otherwise contains material misstatements. If, on the basis of the work performed regarding this information, we conclude that the other information contains any material misstatement, we are under a duty to report it. We have nothing to report in this respect.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the CEO are responsible for preparing the annual accounts and the consolidated accounts and for ensuring that they provide a true and fair view in accordance with the Swedish Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal controls that they deem to be necessary to prepare annual accounts and consolidated accounts that are free of material misstatements, whether caused by irregularity or error.

In their preparation of the annual accounts and the consolidated accounts, the Board of Directors and the CEO are responsible for assessing the company's and the group's ability to continue as a going concern. Where appropriate, they are required to disclose information as to conditions that may affect the company's ability to continue in business and to proceed on the going concern assumption. 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 objective is to achieve a reasonable degree of assurance as to whether the annual accounts and the consolidated accounts as a whole do not contain any material misstatements, whether caused by irregularity or error, and to present an auditor's report including our statement of opinion. Reasonable assurance is a high degree of assurance, but is no guarantee, that an audit

conducted in accordance with ISA and generally accepted accounting practice in Sweden will always detect a material misstatement if such exists. Misstatements may arise through irregularity or error and are regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions taken by users on the basis of the annual accounts and the consolidated accounts.

As part of an audit in accordance with ISA, we use professional judgement and exercise a professionally sceptical approach throughout the audit process. We also:

- identify and assess the risks of material misstatements in the annual accounts and the consolidated accounts, whether caused by irregularity or error; structure and perform audit processes based partly on such risks; and obtain accounting evidence that is adequate and appropriate to serve as grounds for our opinion. The risk of not detecting a material misstatement arising from irregularity is higher than for one arising from error, since irregularities may include collusion, forgery, deliberate omission, false information or disregard of internal controls.
- obtain an understanding of the part of the company's internal controls that is relevant to our audit, in order to structure audit processes appropriate to the circumstances, but not in order to state an opinion as to the effectiveness of the internal controls.
- assess the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the CEO in the accounts and related disclosures.
- arrive at a conclusion as to the suitability of the Board of Directors and the CEO applying the going concern assumption in the preparation of the annual accounts and the consolidated accounts. We also arrive at a conclusion, based on the accounting evidence obtained, as to the existence of any material factor of uncertainty relating to events or conditions that may cause substantial doubt as to the company's and the group's ability to continue in business. If we arrive at the conclusion that a material factor of uncertainty exists, we must in our auditor's report draw attention to the disclosures in the annual accounts and the

consolidated accounts regarding the material factor of uncertainty or, if such disclosures are insufficient, we must modify our statement of opinion regarding the annual accounts and the consolidated accounts. Our conclusions are based on the accounting evidence obtained up to the date of the audit report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- we assess the overall presentation, structure, and content of the annual accounts and the consolidated accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a way that achieves fair presentation.
- we obtain adequate and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the management, supervision and performance of the audit of the consolidated accounts. We are solely responsible for our opinions.

We must inform the Board of the planned scope and focus of the audit, for example, and time at which it is to take place. We must also provide information as to significant observations during the audit, including any inadequacies in internal controls that we identify during our audit.

## REPORT ON OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and the consolidated accounts, we have also conducted a review of the administration by the Board of Directors and the CEO of the affairs of TagMaster AB (publ) for the year 2017 and of the proposed arrangements for the appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Directors' report and that the members of the Board and the CEO be discharged from liability for the financial year.

### Basis for opinions

We conducted our audit in accordance with generally accepted auditing practice in Sweden. Our responsibilities in this respect are described in more detail in the section Auditor's responsibilities. In accordance with generally accepted accounting practice in Sweden, we are independent of the parent company and the group and have otherwise fulfilled our professional ethical responsibilities in line with the requirements stated therein.

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

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for the appropriation of the company's profit or loss. Dividend proposals include an assessment of whether the dividend is justifiable considering the requirements imposed by the nature, scope and risks of the company's and the group's business, with regard to the shareholders' equity, balance sheet strength, liquidity and general financial condition of the parent company and the group.

The Board of Directors has overall responsibility for the organisation and administration of the company's affairs. This involves, for example, continuously assessing the financial situation of the company and the group, and ensuring that the company's organisation is structured such that the accounting records, management of assets and the company's financial affairs in general are controlled in a satisfactory fashion. The CEO is required to manage day-to-day administration in accordance with the board of directors' guidelines and instructions and to take such measures as are necessary to ensure that the company's record-keeping is conducted in accordance with the law and that resources are managed in a satisfactory fashion.

### Auditor's responsibility

Our objective in terms of our audit of the administration, and therefore our statement of opinion regarding discharge from liability, is to obtain accounting evidence to be able to judge with a reasonable degree of assurance whether any board member or the CEO has in any respect:

- taken any action or committed any omission that may result in the company becoming liable for compensation; 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 in terms of our audit of the proposal regarding appropriation of the company's profit or loss, and therefore our statement in this respect, is to judge with a reasonable degree of assurance, whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee, that an audit conducted in accordance with generally accepted accounting practice in Sweden will always detect actions or omissions that may result in the company becoming liable for compensation, or that a proposal for appropriation of the company's profit or loss is compatible with the Swedish Companies Act.

As part of an audit in accordance with generally accepted accounting practice in Sweden, we use professional judgement and exercise a professionally sceptical approach throughout the audit process. Our examination of the administration and the proposal for appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional examinations carried out are based on our professional judgement, with an assessment of risk and materiality. This means that we focus our examination on such actions, areas and conditions that are significant to the business and on where deviations and violations would have particular importance in terms of the company's situation. We examine and test decisions taken, supporting documentation, actions taken and other conditions that are relevant to our statement of opinion as to discharge from liability. As a basis for our opinion on the board's proposed arrangements for appropriation of the company's profit or loss, we have examined whether the proposed arrangements are consistent with the Swedish Annual Accounts Act.

Stockholm, March 23, 2018  
Mazars SET Revisionsbyrå AB

Mikael Fredstrand  
Authorized Public Accountant

## Board of Directors



**Rolf Norberg**  
Chairman  
Chairman and Board member since 2012  
**Born:** 1949  
**Shareholding:** 2,602,857 shares  
**Education:** Doctor of Engineering, KTH Royal Institute of Technology, Stockholm  
**Previously worked for:** Sandvik, Securitas, ASSA ABLOY and Niscayah



**Joseph (Joe) Grillo**  
Board member  
**Born:** 1957  
Board member since 2012  
**Shareholding:** 840,000 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  
**Born:** 1960  
Board member since 2016  
**Shareholding:** 0 shares  
**Education:** Master of Science in Engineering, Lund University  
Owner of consultancy firm Bluewise AB  
**Previously worked for:** TA Control Incentive Group, Ericsson Mobile Communication AB, Anoto AB



**Magnus Jonsson**  
Board member  
**Born:** 1966  
Board member since 2012  
**Shareholding:** 863,446 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  
**Born:** 1967  
Board member since 2012  
**Shareholding:** 28,698,517 shares  
**Education:** Marine Engineer  
Owns several companies and works as a property developer



**Jonas Svensson**  
CEO and deputy Board member  
**Born:** 1962  
Board member since 2012  
**Shareholding:** 3,300,000 shares and 2,000,000 warrants in TagMaster AB  
**Education:** Master of Science in Business and Economics, Lund University  
**Previously worked for:** Kinetico Inc., Smarteq Wireless, American Express, SEB and Siemens

## Group Management



**Jonas Svensson**  
CEO and deputy Board member  
**Born:** 1962  
Board member since 2012  
**Shareholding:** 3,300,000 shares and 2,000,000 warrants in TagMaster AB  
**Education:** Master of Science in Business and Economics, Lund University  
**Previously worked for:** Kinetico Inc., Smarteq Wireless, American Express, SEB and Siemens



**Johan Franzén**  
Chief Technology Officer  
**Born:** 1971  
**Shareholding:** 240,000 shares and 400,000 warrants 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 warrants 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 warrants in TagMaster AB  
**Employee** since 2016  
**Education:** Master of Science in Business and Economics, Karlstad University  
**Previously worked for:** JM AB, Deloitte and the Swedish Tax Agency



**Jean-Marc Coutellier**  
Managing Director, Magsys SA  
**Born:** 1957  
**Shareholding:** 0 shares  
**Employed** since 2003 (Magsys SA)  
**Education:** Doctor of Engineering, University of Grenoble Alpes  
**Previously worked for:** Schlumberger and Thomson CSF



**Keith Mann**  
Operations Director, UK  
**Born:** 1955  
**Shareholding:** 0 shares  
**Employed** since 2011 (CitySync)  
**Education:** Higher National Certificate in Electrical Engineering, Dundee  
**Previously worked for:** ISS, BenchMark Electronics, Flextronics and SCI



## GLOSSARY

**ANPR**

Automatic Number Plate Recognition

**ATP**

Automatic Train Protection

**AVI**

Automatic Vehicle Identification

**CCTV**

Closed Circuit Television

**EMEA**

Europe, Middle East and Africa

**Infomobility**

Real time information that assists, for example, 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 Transport Systems

**NASP**

National ANPR Standards for Policing

**NRE**

Non-Recurring Engineering

**OCR**

Optical Character Recognition

**RFID**

Radio Frequency Identification

**UHF**

Ultra High Frequency

## DEFINITIONS

**Return on equity, %**

Profit after tax in relation to average equity.

**Market price**

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

**EBITDA margin, %**

Operating profit excluding depreci-

ation and amortization (EBITDA) in relation to net revenue for the year.

**Asset turnover ratio**

Net revenue for the year divided by average capital employed.

**Operating profit before depreciation and amortization (EBITDA)**

Operating profit excluding depreciation and amortization.

**Operating margin, %**

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

**Earnings per share**

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

**Equity/assets ratio, %**

Equity in relation to the balance sheet total.

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**TagMaster**