

TagMaster

2018

ANNUAL REPORT

2019 financial calendar

The Annual General Meeting will be held at Middlepoint, Kronborgsgränd 1, Kista, Sweden on Thursday, April 25, 2019 at 3:00 p.m.

Interim Report for January to March	April 25
Interim Report for January to June	July 12
Interim Report for January to September	October 24
Year-end Report	January 30, 2020

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 2018.

Right to participate

Shareholders in TagMaster AB (publ), 556487-4534, who wish to participate in the Annual General Meeting must (i) be registered in the shareholder register kept by Euroclear Sweden AB no later than April 17, 2019 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 17, 2019, either by e-mail to aktie@tagmaster.se or by letter to the following address: TagMaster AB, Kronborgsgränd 11, SE-164 46 Kista, Sweden, marked for the attention of: Maria Nordgren.

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 this application.

A proxy form may be downloaded from the Company's website 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 17, 2019.

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. An advertisement will also be placed in the Svenska Dagbladet newspaper declaring that notice of the meeting has been given.



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TagMaster in brief

Smart Cities 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.



TagMaster develops and delivers solutions for Smart Cities based on advanced sensor technology. The solutions, which can all be found in the field of Intelligent Transport Systems (ITS) are aimed at improving the quality and efficiency of transport and traffic flows, both by road and by rail.

Cities and other densely-populated areas worldwide today face major challenges. These challenges include rapid growth, rising populations and forced urban development, and are accompanied by new demands on Intelligent Transportation Systems and escalating environmental problems.

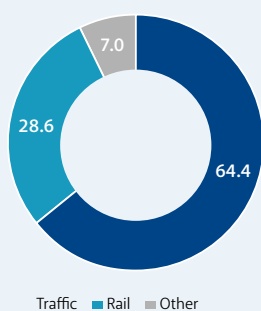
These megatrends, along with digitalization, are sharpening the focus on the concept of Smart Cities – the use of technology and smart solutions to make day-to-day life simpler, safer and more efficient, and to minimize climate impact.

TagMaster's innovative solutions are based on advanced RFID (Radio Frequency Identification), radar and ANPR (Automatic Number Plate Recognition) and Magnetic (magnetic sensor systems) technology. These solutions play an important role in optimizing communications, availability and the use of existing infrastructure.

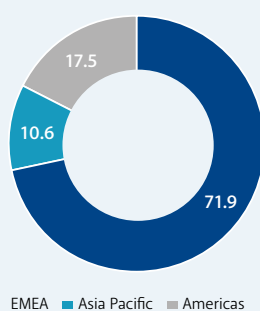
TagMaster is one of the world's leading suppliers of advanced solutions in its two business segments Traffic Solutions and Rail Solutions. In recent years TagMaster has developed through a total of five acquisitions and organic growth into an international player that operates and has established customer relationships throughout the world. Most recently in August 2018, French IoT specialist Hikob, which is based in Grenoble, France, was acquired.

The Group has its headquarters in Kista, Stockholm, and a presence via its own subsidiaries in Stevenage and Aylesbury in the UK and Clichy, Biarritz and Grenoble in France. TagMaster also has its own offices in Slovakia and Malaysia, as well as local partners in the US and China. The Group has a total of about 80 employees and more than 500 partners in over 30 countries.

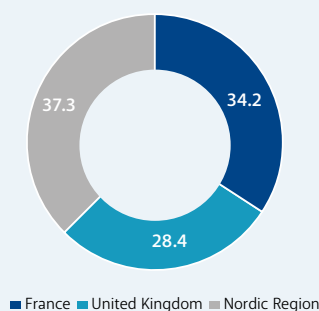
SALES BY BUSINESS SEGMENT, %



SALES BY GEOGRAPHIC REGION, %



SALES FROM EACH HOME MARKET, %



The year in brief

Net revenue for the period was on a par with the previous year and totaled SEK 195.6 million (195.4). Operating profit (EBITDA) amounted to SEK 12.7 million (21.8), equivalent to an operating margin of 6.5 percent (11.2). Profit after tax amounted to SEK 3.4 million (17.1), while operating cash flow came to SEK 13.0 million (20.7).

Q 1

- ▶ Net revenue increased in the first quarter by 35.5 percent to SEK 57.0 million (42.1).
- ▶ Operating profit (EBITDA) increased in the first quarter by 9.3 percent to SEK 5.3 million (4.8), equivalent to an operating margin of 9.2 percent (11.4).

Q 2

- ▶ Net revenue increased in the second quarter by 0.4 percent to SEK 50.7 million (50.5).
- ▶ Operating profit (EBITDA) amounted to SEK 3.4 million (5.2), equivalent to an operating margin of 6.7 percent (10.3).

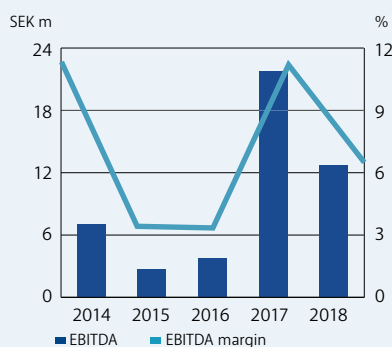
Q 3

- ▶ Net revenue decreased in the third quarter by 2.6 percent to SEK 43.8 million (45.0).
- ▶ Operating profit (EBITDA) amounted to SEK 3.2 million (4.0), equivalent to an operating margin of 7.3 percent (9.0).
- ▶ On August 30, TagMaster acquired, through a newly formed company in France, all assets related to the IoT specialist Hikob's sensor products, network systems and data collection platform, as well as relevant staff who are based in Grenoble (France). The purchase consideration was about EUR 1 million and the Company used its own funds to finance the acquisition.

Q 4

- ▶ Net revenue decreased in the fourth quarter by 23.4 percent to SEK 44.1 million (57.6).
- ▶ Operating profit (EBITDA) amounted to SEK 0.9 million (7.8), equivalent to an operating margin of 2.0 percent (13.5).

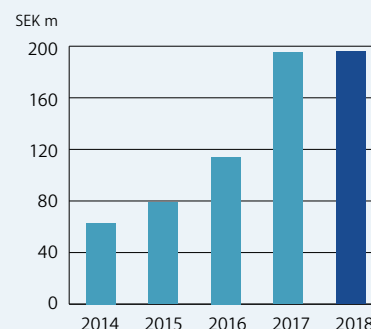
EBITDA, SEK M AND EBITDA MARGIN, %



OVER THE PAST FIVE YEARS TAG-MASTER INCREASED NET REVENUE BY AN AVERAGE OF

31.3%

NET REVENUE



Ready for larger acquisitions after a year of consolidation

In summary, 2018 was a year of consolidation of previous acquisitions and we are now ready to take the next step toward an increased market share. TagMaster is now a strong and broad international player in the Intelligent Transportation Systems (ITS) market with a focus on solutions for Smart Cities. We have extensive expertise in the technologies required to create world-class solutions and we have a well-developed process for dealing with acquisitions. The pathway forward goes via increased commercial focus, which may well include a major acquisition in the near future.

Revenue met expectations in 2018, with growth of 26 percent in the Traffic Solutions business segment. However, total revenue was essentially unchanged compared with 2017, since sales in Rail Solutions ended up about SEK 22 million lower than in 2018. It was also entirely according to plan because our Rail business is volatile in nature since the projects are large, few and extend over long periods of time. At the same time, over course of the year we reduced total costs for the acquired companies by about SEK 8 million on an annual basis. This is the result of consolidation of our previous acquisitions, including cutting back on duplicate functions and leveraging synergies. Consequently, we now have a stable platform for increased expansion.

Growth via Traffic Solutions

The past year confirms the validity of the Group's chosen strategy of focusing on growth within the Traffic Solutions business segment. While our Rail projects demonstrate high profitability, the major growth is in Traffic Solutions.

The challenges that cities and other densely-populated areas worldwide face today are unprecedented. They include rapid growth, rising populations and forced urban development with associated new demands on transportation systems. The consequences of climate change and the ever-declining quality of air in the cities of the world also need to be addressed.

These megatrends, along with digitalization, 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. Meeting these challenges requires smart solutions that, with the help of modern technology, can streamline traffic and transportation systems.

Technologies and solutions in place

TagMaster aims to play a key role in addressing the challenges described above. In order to do so, we have

completed a total of five acquisitions in recent years.

The most recent addition is the French IoT specialist Hikob, which was acquired last year. Through the acquisition of Hikob we also gained access to cutting edge expertise in Magnetic – magnetic sensor systems that convert vehicle data into valuable information.

This means that we now have solutions with all relevant Intelligent Transport System technologies: advanced RFID (Radio Frequency Identification), ANPR (Automatic Number Plate Recognition), radar and Magnetic sensors (Magnetic). We use these technologies to develop solutions that optimize communications, availability and the use of existing infrastructure.

The solutions create safer societies, more even traffic flows, a healthier and more sustainable urban environment, and greater opportunities to monitor and steer traffic flows. The solution for future development lies in combining these different technologies, which is precisely what our talented technicians in the Group are doing together.

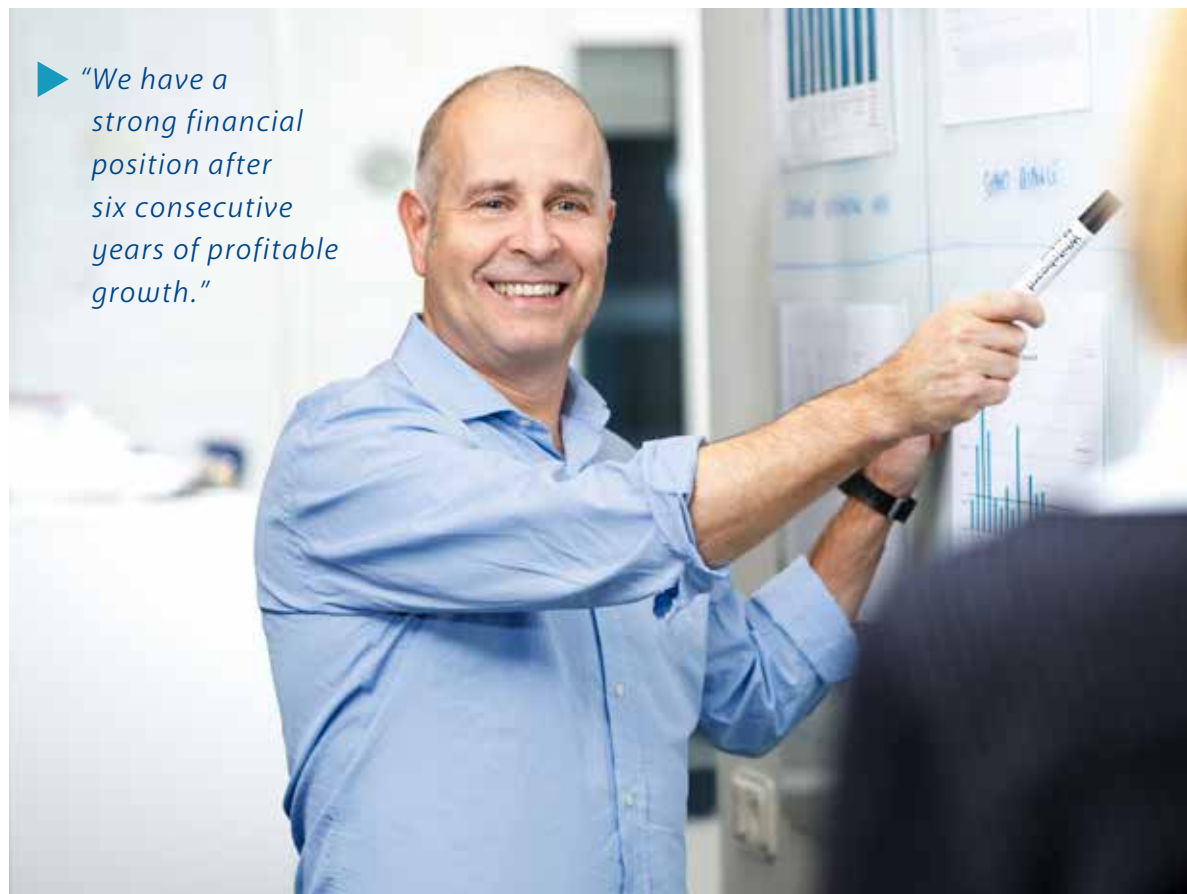
In our current position, we have cutting edge expertise in all technologies that are needed to be the leader in Intelligent Transportation Systems. At the same time, we have landed in the business segments and application areas in which our continued growth will take place and where we already have solutions.

Commercial focus and acquisitions

We will continue to grow moving forward through an increased commercial focus, both organically and through acquisitions.

Organic growth will be intensified as we increase our focus on commercial strength, customer-driven product development, operational improvements and an expanded line of products within the areas we currently offer.

Above all, we will improve at sales. This involves implementing a common driven structured sales management system to develop various aspects such as sales procedures and to complement our CRM system.



► *"We have a strong financial position after six consecutive years of profitable growth."*

Now that we have consolidated our previous acquisitions, we are ready for larger acquisitions to be able to rapidly capture a larger share of the market. Our acquisitions in recent years have been relatively small and aimed mainly at broadening our offering with more technologies and adding more products and application areas.

Our process for leveraging synergies and integrating our acquisitions is finely tuned and are now ready to make a significantly larger acquisition aimed primarily at expanding our market and sales force.

Large innovation potential

Another important aspect of TagMaster's endeavor to achieve its objectives involves innovation and development of new solutions. To meet market demand and aspire to the position as a market-leading provider of advanced sensor solutions for Traffic and Rail solutions, we will continue to develop and launch innovative products, refine and expand existing partner networks and recruit additional highly-skilled personnel.

Our acquisitions in recent years have provided access to talent in the various technologies RFID, ANPR, radar and Magnetic, as described above. By combining these different technologies, we can develop advanced new solutions. There is great potential here.

We have a well-developed innovation process that is

integrated throughout the Group. This process is based on a solid understanding of customer needs combined with input from the market, as well as insights and experience with various product qualities combined in new solutions.

Future prospects

Based on the position I described above, TagMaster has excellent prospects for robust growth moving forward. We have a strong financial position after six consecutive years of growth with a positive profit. Average annual growth since 2013 is at 31 percent.

With our strategy focused on commercial development and continued acquisitions, we are heading for an exciting future.

However, our progress would not be possible without our employees, our partners and our customers, who all contribute to creating and broadening Smart Cities solutions. In this context I cannot forget to thank our shareholders, who also believe in an exciting future for TagMaster.

I am therefore pleased to summarize 2018 by noting that together we took major steps toward our vision and our goals. I am convinced that 2019 will bring us a good bit further on our journey.

Jonas Svensson
CEO

Growing need for necessary digitalization of cities

Adapting the community of today – the city – for the future is one of our biggest challenges. Today's rapid growth, rising populations and forced urban development must be addressed, while new transportation needs are created. These developments also entail the enormous challenge of increased emissions. Given this background, the need for smart solutions to drive the development toward Smart Cities – digitalization of cities – is huge.

With the vision of being the most innovative mobility solutions provider to Smart Cities, TagMaster operates within the framework of the external factors and market described above with its Traffic Solutions and Rail Solutions.

TagMaster's solutions play an important role in the necessary digitalization and transition that major cities and densely populated areas worldwide are currently undergoing. Traffic surveillance, transportation systems, parking and public transit must be streamlined, thereby contributing to sustainable development in densely populated areas.

The market that TagMaster addresses is rapidly growing and crucial for building a sustainable world for future generations. With its broad offering of solutions in the Traffic Solutions and Rail Solutions business segments, TagMaster had a strong position.

Smart Cities

The Smart Cities concept is described as an important solution to the challenges that confront densely populated cities around the world. Using sensors, detectors and cameras, the smart city can see, hear, feel, smell, and taste digital information that contributes to a more caring, efficient, safe, and sustainable society.

The United Nations Economic Commission for Europe (UNECE) has defined 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.

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 other strategic fixed or

mobile devices in a city. That figure will skyrocket, and people are talking in terms of 50 billion connected sensors by as early as 2020.

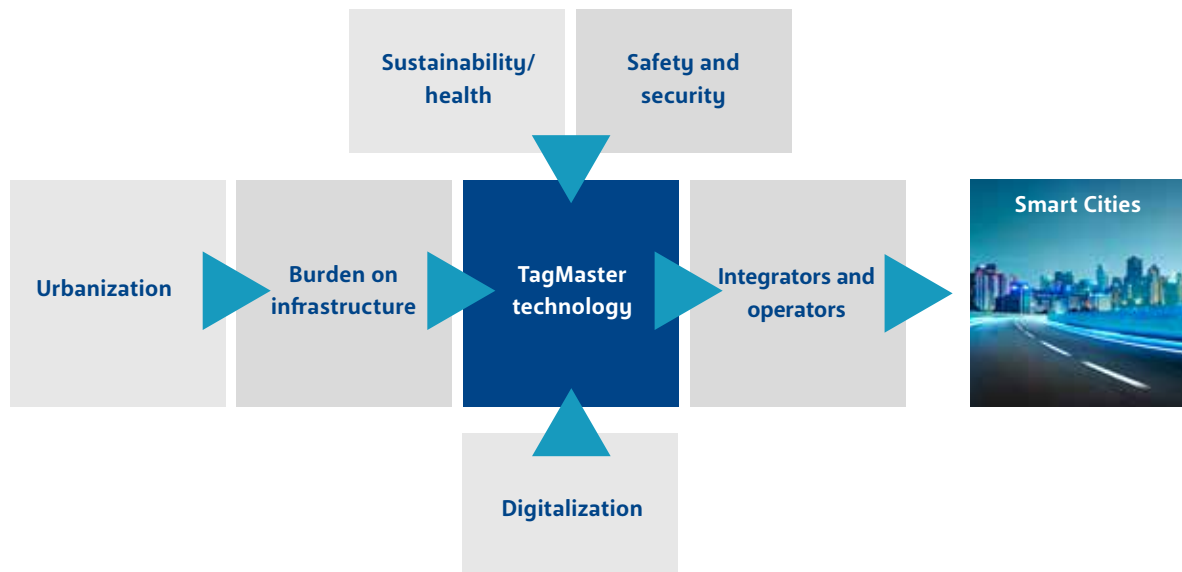
According to the market analysis company IDC, we are now moving from visions of Smart Cities to reality. Global technology investments aimed at creating Smart Cities will increase by almost 70 percent over the next three years and will reach sales of USD 135 billion by 2021, according to IDC.

The areas in which IDC sees the largest investments are within intelligent transportation systems, data-driven public safety, energy and infrastructure. Global investments will be largest, according to IDC, in intelligent traffic management and public transit, as well as visual surveillance, followed by smart outdoor lighting and environmental monitoring.

Megatrends

The rapid development toward Smart Cities is primarily driven by the four global megatrends described below:

Urbanization and population growth: Migration to major cities around the world is on the rise. This trend is found in both developed and developing countries. In developing countries, high population growth is fueling this trend and the fastest increases in urban populations will take place in such countries. This growth will require urban development with a dramatic expansion of housing, transportation, communication, electricity and water supply and other necessary infrastructure and services. According to the UN World Urbanization Prospects, an estimated 75 percent of the world's population will live in cities by 2050, compared with the current 55 percent. According to the same source, by 2050 there will be more than 100 megacities – cities with a population exceeding 10 million, compared with the current figure of 28 million. Urbanization is fastest in Africa and Asia, where 90 percent of the population is expected to live in cities by 2050.



Climate, 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 single biggest health risk in the world. According to the WHO's calculations, nearly 6 million people died prematurely in 2012 because of air pollution. Traffic is responsible for a major portion of these emissions. The negative trend is likely to continue in pace with the urbanization trend described above. Calculations show that today around 1 billion vehicles are in use, and this figure is expected to rise to 2 billion by 2035. Figures also indicate that cities account for 75 percent of global energy consumption. Meanwhile, the countries of the world have undertaken to work toward the climate goals adopted in Paris in 2015, requiring greenhouse gas emissions to be halved by 2050.

Digitalization: Digitalization affects all areas of society and this trend is developing rapidly. The number of connected devices and storage of data are skyrocketing and will continue to do so moving 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, in part because of the wave of terrorist attacks in many parts of the world, and in part 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.

Intelligent Transportation Systems (ITS)

Intelligent Transportation Systems (ITS) solutions are an important component of the development toward Smart Cities. TagMaster operates in this area with its applications in

the Traffic Solutions and Rail Solutions business segments.

Intelligent Transportation Systems are solutions that use modern digital technology based on sensors, cameras and other communication technology to 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 drivers, increasing accessibility, and providing the ability to control and streamline traffic and transport services. This new technology is also helping to increase traffic safety and reduce environmental impact.

Different types of sensor products, radar and other information technology are used to capture data and information, which are then processed in various central systems. The results are used 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. Huge volumes of information must be managed, as well as vehicle classification systems, calculation of flows of, for example, vehicles, bicycles and pedestrians, journey time calculation systems, pedestrian and bicycle detection and weather information systems.

TagMaster's markets

TagMaster focuses on intelligent transportation systems solutions within the overall concept of Smart Cities, with a range of products and applications in the two business segments Traffic Solutions and Rail Solutions.

The total market for intelligent transportation systems, according to Marketsandmarkets, July 2016, is expected to increase from USD 36 billion in 2015 to more than USD 63.5 billion in 2022.



A large number of companies with numerous products operate in this market. TagMaster works with RFID, radar, ANPR and Magnetic, and is relatively alone in the market offering solutions for both public transit and road traffic. TagMaster therefore has a clear presence in the market, which paves the way for major opportunities for growth, both organically and through future acquisitions.

The megatrends described above create a major need to reduce traffic congestion and emissions. For example, studies show that around 30 percent of all traffic circulating in a city is searching for parking. A smart solution that detects when parking spaces become available and that can inform drivers accordingly can effectively help relieve the traffic bottlenecks from which many cities suffer.

The sub-segments in the Traffic Solutions business segment that TagMaster addresses are found within Parking Solutions, Solutions for Security and Access Control, Tolling Services, Intelligent Transportation Systems (ITS) and Infomobility. Together, this represents a market worth around USD 14 billion annually, according to Global Industry Analyst, February 2015. Traffic management, which includes systems for monitoring traffic flows, is the largest sub-segment, followed by Tolling Services and Parking Solutions.

The market for such Parking Solutions, known as Parking Guidance Solutions, which inform drivers in real-time about access to parking places, is expected to grow from USD 480 million in 2018 to USD 770 million in 2023, corresponding to a growth rate of about 10 percent annually. These solutions can be based on RFID and ANPR, but also on other technologies such as radar.

For TagMaster, the RFID market in Traffic Solutions is largely focused on parking and access solutions, as well as tolling services. The market is estimated at about USD 2.4 billion annually and TagMaster believes that it will grow by 5–7 percent per year.

The relevant market for ANPR technology-based solutions, including ANPR cameras and ANPR software, is estimated at USD 1.2 billion and is expected to grow to USD 2 billion by 2023 – an increase of 10–12 percent annually.

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

In Rail Solutions, TagMaster focuses on signaling and automated train management systems, primarily for metros and trains. The Company holds a strong position in this market. Signaling (Rail Control) is a niche market in Rail Solutions, with an annual volume of about EUR 11 billion.

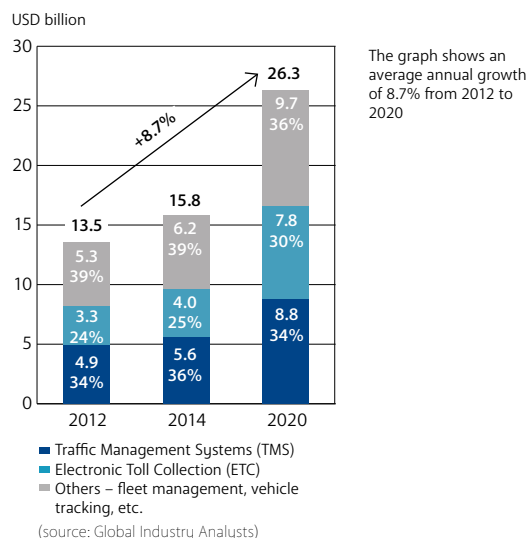
The signaling market, for which annual growth of around 4 percent is forecast, is a focus area for TagMaster since few players are in this market with good margins.

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; already today, about 15 percent of new metro lines under construction are designed to be driverless.

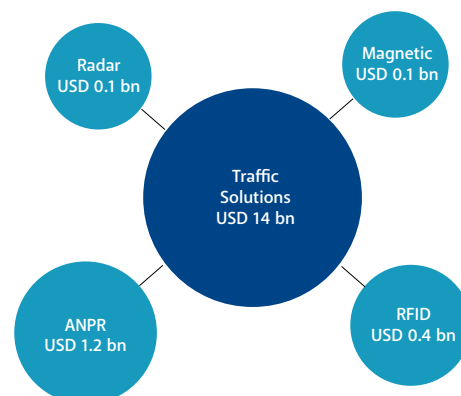
Competitive situation

The market for RFID solutions has many players operating on a global level. In addition, RFID has many different applications and several separate technologies. TagMaster

THE GLOBAL ITS MARKET, BROKEN DOWN BY DIFFERENT MARKET SEGMENTS



TRAFFIC SOLUTION MARKET



TagMaster currently addresses only a small portion of the Traffic Solution market, which in turn is part of the larger ITS market

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 to safeguard 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, but 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 US and Asia. Overall, it is a fragmented market with many small players geographically diversified. This creates attractive opportunities for consolidation.

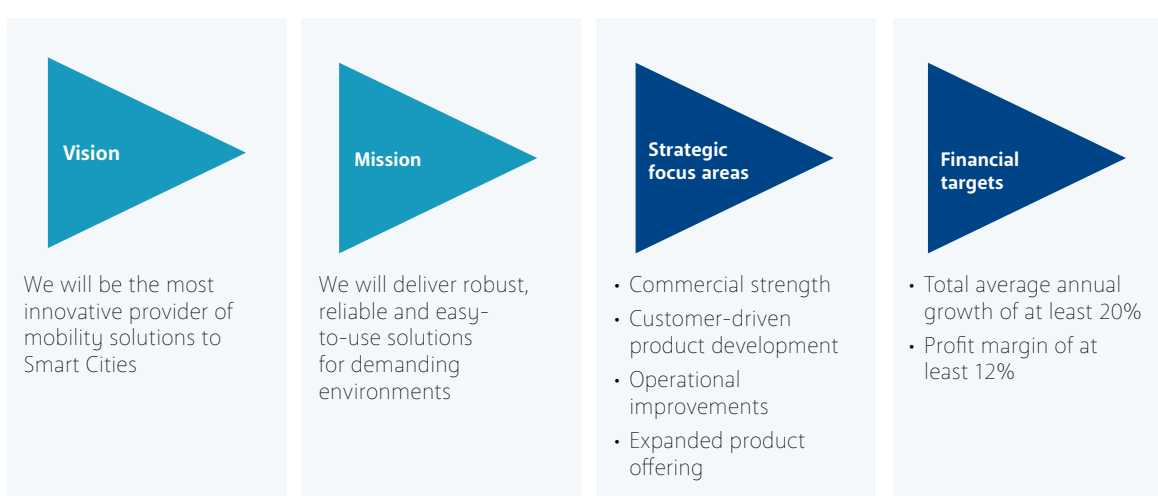
TagMaster is one of the few players to offer both RFID and ANPR technologies and combined with additional

technologies. TagMaster therefore envisions that solution-oriented services will become more important than purely product-based solutions. With its clear focus on the Traffic Solutions and Rail Solutions business segments, TagMaster stands out from many of its competitors, who serve a more diversified customer segment.

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

Continued expansion through acquisitions and organic growth

TagMaster continues to grow with profitability. The Company, which has expanded its offering both geographically and with respect to technology through five acquisitions over the past three years, now has a strong offering in the two business segments Traffic Solutions and Rail Solutions. TagMaster strives to grow going forward in these two segments both organically and through new acquisitions.



The past year – 2018 – was characterized by consolidation of the international group of companies that now comprise TagMaster. By concentrating on the two business segments – Traffic Solutions and Rail Solutions – TagMaster has established where the Company will seek its success.

With the vision of being the most innovative provider of mobility solutions to Smart Cities, TagMaster has a stable platform for continued expansion. TagMaster will therefore play an important role in intelligent traffic solutions of the future.

Strategy – acquisitions and organic growth

The Company has a two-part strategy – acquisitions and organic growth. TagMaster has a clear acquisition strategy and a well-developed process for integrating new acquisitions.

After having consolidated its previous acquisitions, TagMaster is ready for a larger acquisition in order to rapidly capture a larger share of the market.

Organic growth will be intensified through an increased focus on commercial strength, customer-driven product

development, operational improvements and an expanded line of products within the areas TagMaster currently offers.

The Company will bolster its commercial strength through an initiative within the Group to develop a jointly driven structured sales management system with a focus on developing sales procedures, complementing the CRM system and other measures within selected segments.

TagMaster's strategy includes continuing to transition the offering from a product focus via systems to a solution focus in order to be closer to its customers and to develop solutions together with them.

Targets

TagMaster's overarching financial target remains unchanged: to achieve annual growth of at least 20 percent per year calculated as an average over a five-year period. EBITDA must be at least 12 percent on average over the five-year period and cash flow should be positive. The financial performance in 2018 shows that we have taken a major step forward with respect to the profitability target.



Business model

TagMaster's customers are integrators who are commissioned by cities, states, property owners, road and rail operators to provide various types of complex traffic and parking solutions. TagMaster is a technology provider in the Smart Cities sector, selling solutions and products to various categories of system integrators who provide solutions.

TagMaster does not act as a system integrator to end customers, despite growing demand for solutions from the larger actors. This trend is one of the drivers for TagMaster's development and many of the Company's major projects revolve around being able to present, for

example, solutions in which RFID technology is combined with radar, Magnetic and ANPR technology.

Rail Solutions customers include a few major players in the rail industry such as Bombardier, Thales, Hitachi/Ansaldo STS, Alstom/GE Alstom and Siemens Mobility. TagMaster has a close relationship with these players, but will continue to focus on future collaborations involving large Chinese joint ventures.

TagMaster is implementing a three-tiered business model on the Rail side that includes development, product delivery, and service and support. Projects are also underway to expand collaboration with customers in order to create joint technology and solution development initiatives.

International actor in Intelligent Transportation Systems for Smart Cities

TagMaster develops and delivers solutions for Smart Cities based on advanced sensor technology. The solutions, which can all be found in the field of Intelligent Transportation Systems (ITS) are aimed at improving the quality and efficiency of transport and traffic flows, both by road and by rail. TagMaster delivers solutions in the Traffic Solutions and Rail Solutions business segments.

Cities and other densely-populated areas worldwide today face major challenges. These challenges include rapid growth, rising populations and forced urban development with associated new demands on transportation systems. The consequences of climate change and the ever-declining quality of air in the cities of the world also need to be addressed.

These megatrends, along with digitalization, 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. This is where TagMaster with its Intelligent Transportation Systems (ITS) enters the picture.

TagMaster, initially a spin-off from Philips, is now one of the world's leading suppliers of advanced solutions in its two business segments Traffic Solutions and Rail Solutions.

Technologies

Intelligent Transportation Systems are solutions that use modern digital technology based on sensors, cameras and other communication technology to play a part in enhancing efficiency in both rail-bound and road traffic systems, traffic monitoring, parking solutions, tolling services and much more.

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RFID is a type of wireless communication that uses radio

waves to identify and track objects. An RFID system has readers and tags that communicate with each other by radio.

ANPR technology enables identification of registration numbers by camera, optical character recognition (OCR), thereby allowing algorithms to be created to build on the information that the system collects (AI). In fixed ANPR systems, cameras are placed in a certain position to capture the number plates on moving vehicles. The images are then transferred to base stations by network for processing.

Radar is an object detection system that uses radio waves to determine the distance to, angle or speed of an object. Radar is one of the main technologies used within the framework of Smart Cities.

Magnetic sensor systems convert vehicle data into valuable information. A magnetic sensor uses passive sensor technology to detect large iron objects, such as a truck, car or railway car, by measuring the change in the surrounding magnetic field.

When a vehicle changes the magnetic field, the sensor detects these changes. One application involves detection of vehicles close to an automated gate.

In many cases, TagMaster's solutions are combined with the above technologies to create more complex systems that can manage information from many different sources. The solutions are examples of edge computing, where connected devices such as sensors become increasingly "intelligent."

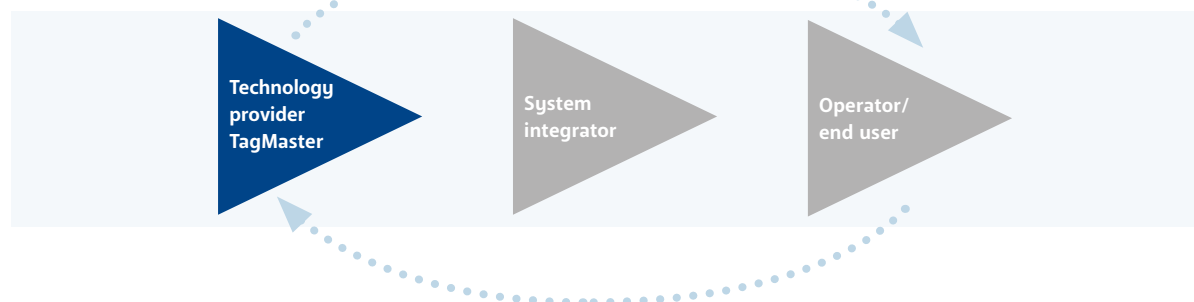
It is crucial that TagMaster's solutions provide reliable, accurate and secure information to their users and central systems where collected data are used to strengthen critical operations.

International player

In recent years TagMaster has developed through a total of five acquisitions and organic growth into an interna-

VALUE CHAIN WITHIN TRAFFIC SOLUTIONS

Product/solution information



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

tional player that operates and has established customer relationships throughout the world. Most recently in August 2018, French IoT specialist Hikob, which is based in Grenoble, France, was acquired.

The Group has its headquarters in Kista, Stockholm, and a presence via its own subsidiaries in Stevenage and Aylesbury in the UK and Clichy, Biarritz and Grenoble in France. TagMaster also has its own offices in Slovakia and Malaysia, as well as local partners in the US and China. The Group has a total of about 80 employees and more than 150 partners in over 30 countries.

TagMaster's sales network has historically consisted of a number of national partners, including some large traditional distributors and numerous integrators and 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 as the Nordic region, EMEA and the US. The intention here is to build up a much larger network of partners to support the Company's growth ambitions.

Through close cooperation and acquisitions of complementary businesses, TagMaster has increasingly moved from a product focus to a solution focus. TagMaster continually approaches its partners and their markets to learn more about the needs of end customers and the future challenges and trends that confront them.

TagMaster' place in the value chain

The Company's customers are integrators who are commissioned by cities, states and property owners to provide various types of complex traffic and parking solutions. TagMaster is a technology provider in the Smart Cities sector, selling solutions and products to various categories of system integrators who provide solutions to end users such as authorities, road operators and metro operators.

TagMaster does not act as a system integrator to end customers, despite growing demand for solutions from 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, as well as smart magnetic sensor systems.

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 even more important to ensure cost-effective manufacturing that enables TagMaster to offer innovative products at competitive prices at the promised times.

Research and development

Development of new solutions and products is an important aspect of TagMaster's operations. Through acquisitions in recent years TagMaster has gained access to talent in the various technologies RFID, ANPR, radar and Magnetic, as described above. By combining these different technologies, we can develop advanced new solutions.

TagMaster has a well-developed innovation process that is integrated throughout the Group. This process is based on a solid understanding of customer needs combined with input from the market, as well as insights and experience with various product qualities combined in new solutions.

TagMaster's solutions – an important part of daily life

TagMaster's Smart Cities solutions play a key role in daily life for many urbanites. All family members come into contact with them in various ways on a typical day. For example, a family member with a car might pass toll booth or another might ride a bicycle on a bike path where flows are measured to optimize accessibility, or one might travel by metro or train and benefit from efficient traffic flows thanks to TagMaster's technology.

Below are a few examples to illustrate different applications, what they look like and what they do.



TRAFFIC MANAGEMENT/INFOMOBILITY

Bicycle and pedestrian detection

A detection system consisting of several radar products may be used, for example, on bicycle and pedestrian paths that lead to metro stations. The system measures the volumes, flows and speed of bicyclists and pedestrians. The gathered information can be used to control traffic lights so that bicyclists and pedestrians are given priority over cars. The same information can also be used to plan safe bicycle paths and to justify investments in new bicycle paths. The information can also be used to show how long it takes to travel from point A to point B.

Traffic management

A traffic management system consisting of one or more ANPR cameras and radar products can be used for cars heading for a parking place near a metro or train to park the car and then use the next means of transportation. The system measures traffic flows and also gathers information about emissions and particulate levels in the air. In TagMaster's system, the aggregate information is processed to be able to provide information about alternate routes. As a result, travelers avoid congestion, traffic flows better and emissions decline. With ANPR cameras, cars can also be checked against the motor vehicle database to see whether the individual vehicle is permitted to drive in the urban environment in cities where restrictions have been imposed.

Fine systems

Different traffic authorities have the task of fining various traffic infractions such as running red lights, unauthorized use of bus lanes and many other traffic violations. With ANPR cameras placed on appropriate roads, vehicles can be identified and the drivers can be fined.



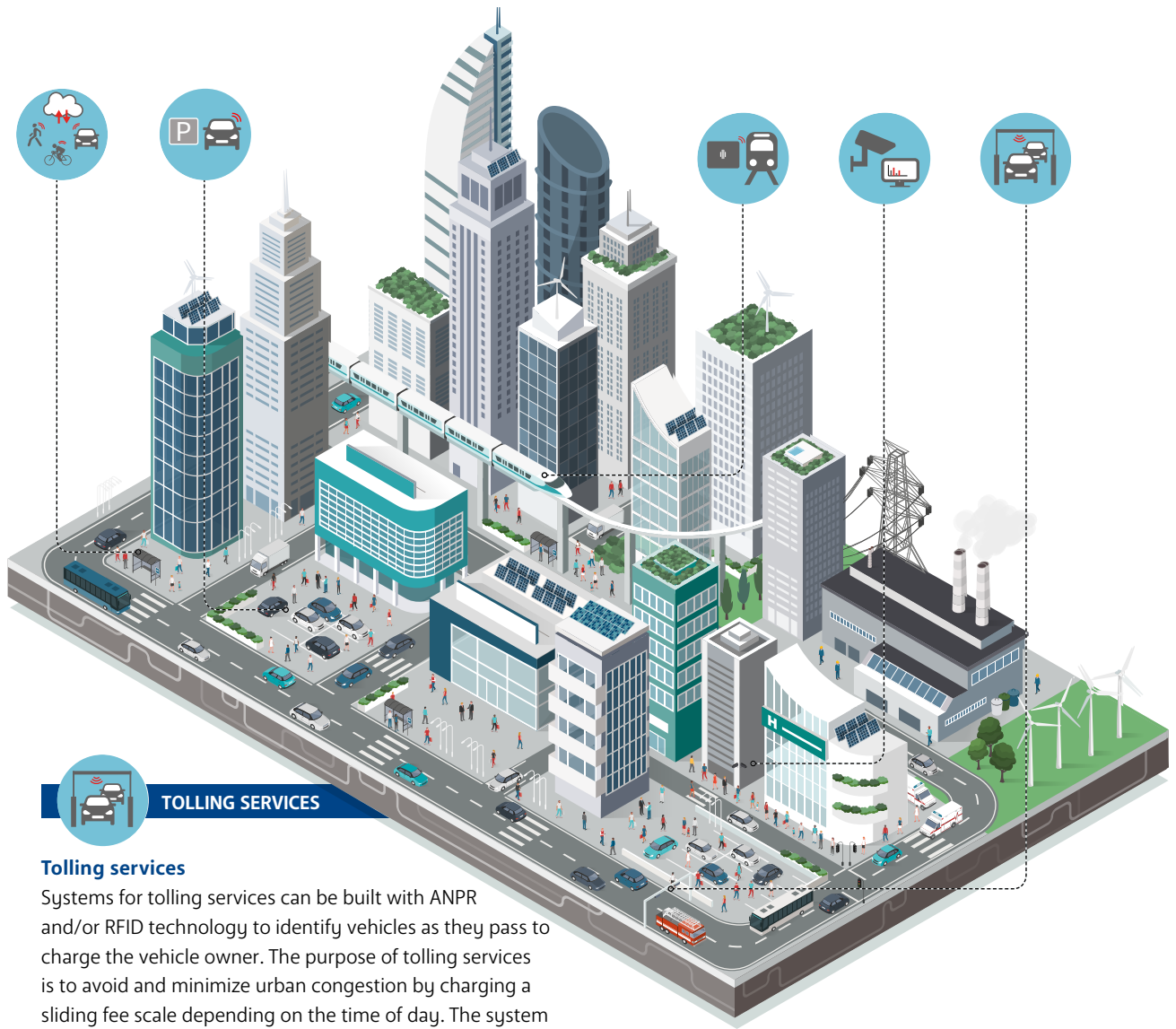
PARKING

Parking Guidance solutions

Systems consisting of magnetic sensors, radar products and ANPR cameras can guide drivers who enter a city to vacant parking places. Studies show that cars searching for parking places account for about 30 percent of all traffic in a city. All parking places are identified in the system and they can inform the system whether or not they are vacant. The information is then used to show where the closest vacant parking place is on a mobile phone or on variable message signs. ANPR technology records when cars drive in or out of a parking lot, which means that neither barriers nor ticket machines are needed. The same camera technology can be used to monitor a car when it is parked, for example in a parking garage.

Short-term parking system

Magnetic and radar technology can be used to build short-term parking solutions that provide increased flexibility, thereby improving the traffic situation. The system makes it easier for temporary visitors to a city center to carry out specific errands, such as picking up a prescription at the pharmacy. Parking that is only intended for short-term parking is built in appropriate locations and in appropriate numbers so that parking is usually available. The system collects information using magnetic and radar technology and provides information about the location of vacant parking spaces on variable message signs and in smart-phones. The system then informs the parking driver about the amount of available time left for the parking space. The system also sends information to the responsible authority about violations.



TOLLING SERVICES

Tolling services

Systems for tolling services can be built with ANPR and/or RFID technology to identify vehicles as they pass to charge the vehicle owner. The purpose of tolling services is to avoid and minimize urban congestion by charging a sliding fee scale depending on the time of day. The system identifies each vehicle at the entrance or exit to be able to charge the vehicle owner the correct fee.

Bridge fee

ANPR and/or RFID technology can also be used to build systems to be able to charge, for example, a bridge fee to be able to cover long-term financing or maintenance of a new bridge. The system identifies each vehicle at the entrance and exit and the vehicle owner can then be charged for using the bridge.



SAFETY AND SECURITY

Security solution

The system, which is based on ANPR technology, is used to enable law enforcement to search for a vehicle that is known to be occupied by suspected criminals. By placing ANPR cameras along appropriate roads, vehicles can be identified and run through the police database or the motor vehicle database. ANPR cameras can also identify the car model and color if the registration number is unknown. Law enforcement can follow where the car is traveling and possibly intervene more rapidly. The same system can be used to find stolen vehicles, uninsured vehicles or other vehicles that it is important to locate.



METRO/TRAIN

Efficient train and metro traffic

RFID technology-based systems can improve efficiency and security in public transit by train, train or metro. With such systems, the metro can run more frequently, providing more trips and less waiting for passengers. The systems also make it possible for the metro to run with driverless trains. In addition, the station environment is safer since the systems allow safety doors to be installed at the track to prevent people from falling off the platform. RFID technology controls where the trains stop so the doors stop exactly at the safety doors. The RFID systems also make it possible to control the trams/trains regarding both direction and speed to interact and be synchronized with the rest of the traffic on the streets. RFID systems are also used to detect crosswalks, as well as to provide information to passengers concerning routes and arrival times.



Traffic Solutions

Residents of cities and densely-populated areas encounter TagMaster solutions in the Traffic Solutions business segment in many places in daily life. These include smart parking solutions, tolling services, security and access control solutions, and intelligent transportation systems that enable optimal use of road networks, while relieving traffic problems and reducing emissions. Such solutions can also be part of a geofencing solution that is currently being tested in many metropolitan areas.

TagMaster primarily works with the following solution areas in the Traffic Solutions segment:

- Traffic management – solutions where data are collected for purposes such as improving use of the traffic network, including Infomobility
- Parking solutions
- Security and access control
- Tolling services

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. Interest 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.

Application area – Traffic management/Infomobility

TagMaster offers Traffic management solutions including Infomobility 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 central systems. The systems and the collected data 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.

Such solutions are an important part of the Smart Cities concept. In addition to reducing traffic, the solutions lead to fewer accidents and lower vehicle emissions. They also result in reduced fuel consumption and fewer delays, which in turn deliver financial savings and more sustainable use of shared resources. Instead of investing in expanding traffic networks, many cities are opting for the financial, environmental and societal benefits of Traffic management solutions.

TagMaster offers advanced solutions in this application area using RFID and ANPR technology. 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 when vehicles with approved markings pass, a signal is sent to the lights to turn green.

Growing traffic problems and rising emissions have led to the installation of more and more systems to monitor and control traffic. These complex systems must be able to manage hundreds of roads and traffic lanes.

In TagMaster's system, ANPR processing takes place in the camera and the data are 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 flows of vehicles, bicycles and pedestrians, journey time calculator systems, pedestrian and bicycle detection systems and weather information systems.

All of these applications are important solutions for 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.

Application area – 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 share.

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. Drivers can just pull into a parking space and later, when it is time to leave, just drive out again and be charged automatically for precisely the time the vehicle has been parked. This is called free flow parking.

Parking solutions can also be designed to be so smart that they communicate with a central system that tells drivers when a parking space becomes available. Traffic becomes more efficient, with fewer traffic problems and lower emissions.

Application area – 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 as ports, corporate campuses, or other areas sensitive to access by unauthorized vehicles. Solutions may involve large-scale monitoring systems for cities and neighborhoods 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. Such information 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, including as part of anti-terrorism efforts.

Application area – Tolling services

Toll roads are becoming increasingly common throughout the world, for the simple reason that financing of infrastructure should be covered by those who use it. It is also important for major cities to increase the number of tolling services solutions for environmental and health reasons.

TagMaster offers solutions for toll road systems, including identification of vehicles using ANPR technology. Some cities, such as Stockholm and London, use ANPR technology to identify and subsequently charge for vehicles when they are driven into the city in order to reduce traffic in the city center. The same technology may be used in Paris and Lyon, where restrictions are being imposed for environmental reasons, to identify vehicles with odd or even registration numbers in order to check whether a specific vehicle is permitted to be driven in the city at a specific time.

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

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



Rail Solutions

Every minute, thousands of scans are made via TagMaster's RFID sensors on metros, in train systems and in other railbound traffic throughout the world. The data scanned are used to make safe, efficient, punctual and sustainable public transit possible in major metropolitan areas worldwide.

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

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

In the Rail Solutions business segment, TagMaster primarily operates in signaling and automated train management systems, primarily for metros and trains.

Below is a list of TagMaster's various applications and application areas in Rail Solutions:

Applications	Application areas
Positioning	Metros
Selective door opening/ platform doors	Metros, trains, commuter trains
Service priorities	Trains
Automatic speed control	Metros, trains
Passenger information	Metros, trains
RailTag	

RailTag is the result of a development project that was concluded in 2017, for which serial series deliveries were completed in 2018. A RailTag is a sensor that is fitted to railway cars and trains.

The solution was designed in collaboration with several of the Company's rail customers and resulted in a new RailTag with double the service life. 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.

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 a very high degree of built-in functionality are an excellent fit for the Rail Solutions business segment, and what was initially started as a project has today evolved into a well-established business segment with a strong offering to the market.

By developing its own algorithms for critical applications such as positioning, axle counting and door opening TagMaster has created a strong value proposition for signaling systems for metros and trains.

To intensify the TagMaster's innovation power and development in Rail Solutions, in 2017 the Company created a centre of excellence for Rail Solutions in France by amalgamating Swedish and French skills to improve the product offering to the leading players in rail signaling.

Few major customers

Rail Solutions customers are few and mainly consist of global signaling systems manufacturers. 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. In order to take full advantage of the benefits of TagMaster's technology, the Company's engineers need to be in direct contact with the customer's engineers

Consequently, in many cases sales involve technological adaptation or development for a specific solution that the customer requests, which may entail anything from minor adjustments to major development projects.

A corporate culture characterized by innovation

Dedicated employees play a key role at TagMaster in creating a dynamic corporate culture and driving innovation and results. The employees are paramount if TagMaster is to continue to be successful and be able to achieve its goals. In 2018 the organization expanded with a few additional talented employees through the acquisition of French Hikob.

TagMaster's corporate culture is characterized by a strong spirit of innovation and short decision paths, based on the five core values shown below. These values influence everything employees do both internally and externally, as well as the Company's approach to daily activities.

Core values

- ▶ Profitability
- ▶ Innovation
- ▶ Customer-focused
- ▶ Professionalism
- ▶ Dedication

These core values form the basis for maintaining and enhancing a good corporate culture.

Organization

TagMaster's organizational structure is based on the functions established within the Group, rather than the legal structure or where our employees live.

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

The wholly owned subsidiaries in the UK and France have a local administration function that takes care of tasks requiring country-specific expertise. Examples of such

tasks are reporting taxes and charges, legal financial reporting, and personnel-related matters.

Stronger organization through acquisitions

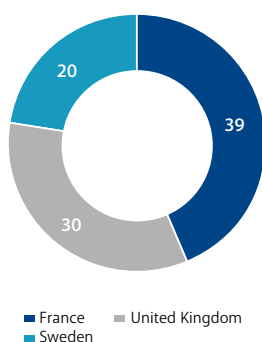
As a result of the acquisitions of recent years, the number of employees had risen by about 65 people from the beginning of 2015 to the end of 2018. Operations are now conducted in four countries and in eight different locations.

To be able to gain maximum benefit from the complementary expertise in the acquired companies, a strong focus is placed on integrating and implementing shared processes. As part of the integration process, a strategy meeting was held in January 2018, attended by representatives of all subsidiaries. At the meeting, TagMaster's core values were emphasized, along with the importance of shared processes and common values in all functions, despite cultural and geographical differences.

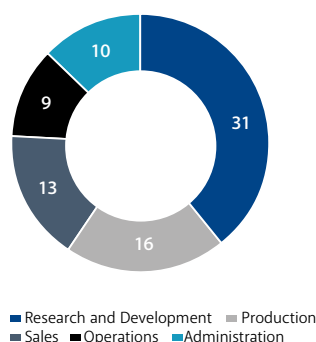
R&D operations are now largely integrated and are conducted, under the leadership of the Group's CTO, by organizations located in Stockholm, Stevenage, Aylesbury, Zilina, Toulouse and Grenoble. Product development follows a product management process that is the same for all companies in the Group.

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

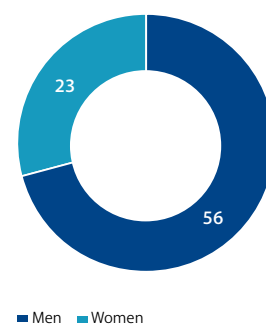
AVERAGE NO. OF EMPLOYEES BY COUNTRY



EMPLOYEES BY FUNCTION AT YEAR-END



BREAKDOWN MEN/WOMEN





TagMaster uses a videoconference system that all acquired units have installed. The advantages are that communication is simplified and the environment benefits from less air travel.

Robert Litzén Project Manager



I began at TagMaster in 2017 and the main reasons were that I was looking for a small company with a fast pace, high technological expertise and short decision paths. In my job I am involved in influencing both current and future products and I'm motivated by the constant drive forward. Getting to work with people who are passionate about what they do and who have solid expertise in the field is just one of the reasons that I've never regretted why I chose TagMaster. It is also extremely exciting and challenging to integrate the new, as well as future, acquired employees and products into TagMaster's organization and spirit.



Mattias Gyllenros Senior Project Manager



I began at TagMaster when it was just TagMaster. Five acquisitions later and several new home markets, and it's a brand new company. Running projects in this environment, with such great access to specialists and new technologies, is really inspiring! The acquired companies are already modern and digitalized, so now we're taking the next step together with even better working methods and tools. The whole idea is to take advantage of the common innovation power in the TagMaster Group and provide the best solutions for Smart Cities of the future.



A positive force in the Smart Cities market

► *2018 was an important year that laid the foundation for continued expansion. We are actively seeking expansion opportunities, both organically and through acquisitions.*



To characterize the highlights of 2018, the Traffic segment saw good growth, the Rail segment had an in-between year, and previously completed acquisitions were consolidated. Consequently, net revenue was comparable to the previous year at SEK 195.6 million (195.4) and operating profit (EBITDA) was SEK 12.7 million (21.8), equivalent to an operating margin of 6.5 percent (11.2). CAGR including acquisitions for the past six years is about 30 percent, which is well over the target of 20 percent. Meanwhile, the outlook for growth in Smart Cities is excellent.

In addition to consolidation, an additional smaller acquisition of the French company Hikob was completed, adding products and expertise in the field of magnetic sensors. As a result, the Company now has the majority of the technologies in demand for building the smart society and checking, monitoring and controlling traffic flows, thereby contributing to higher efficiency and lower traffic emissions.

Thus TagMaster has simultaneously taken a step closer to additional consolidation opportunities in what remains a highly fragmented market. We are looking for slightly larger acquisition candidates and consider our ability to both acquire and integrate somewhat larger companies to be excellent. We primarily want to strengthen our market position by covering a larger geographic area and adding to our sales force.

Naturally we will continue our growth through a combination of acquisitions and organic growth. While we can control organic growth, acquisitions are a matter of supply and demand, not to mention price. It is therefore difficult

to predict when the next (larger) acquisition will occur. Our philosophy of making TagMaster into a business across corporate and national borders has been further consolidated and is highly effective today. Management consists of the CEO, CFO, CTO and the director of sales and marketing, each of whom lead their respective teams for all markets and companies.

Management and staff have also performed well once again. Growth in the Traffic business segment fully compensated for the in-between year in Rail. This performance verifies our theory that there is potential for continued growth in the Traffic segment. Meanwhile, Rail demonstrates that, as we have often stated, the segment is more volatile and has a lower average growth rate.

2018 was an important year that laid the foundation for continued expansion. We are actively seeking expansion opportunities, both organically and through acquisitions. We are also starting to become more visible and have been contacted by potential acquisition candidates, whom we are prepared to evaluate.

Our highly dedicated management and staff have continued to demonstrate professionalism over the course of the year, producing outstanding results. Confidence in the Company has further strengthened, which both customers and competitors consider to be a positive force in the market for Smart Cities.

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 Erik Penser Bank. On December 28, 2018, the share price was SEK 1.15, making the market value of the company SEK 230,591,000.

Share capital

On December 31, 2018, 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.

After the end of the financial year an additional 2,483,292 shares were registered. As a result, share capital amounts to SEK 10,193,628.05, represented by 203,872,561 shares.

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. Every option holder is entitled to

subscribe to 1.08 new Class B shares in TagMaster for each warrant they hold. The exercise price corresponded to 140 percent of the average price for the measurement period at the time the program was established, which after recalculation under the provisions of the warrant terms gave a subscription price of SEK 1.13 per new share.

In December 2018, warrants were exercised for subscription of 2,483,292 new shares.

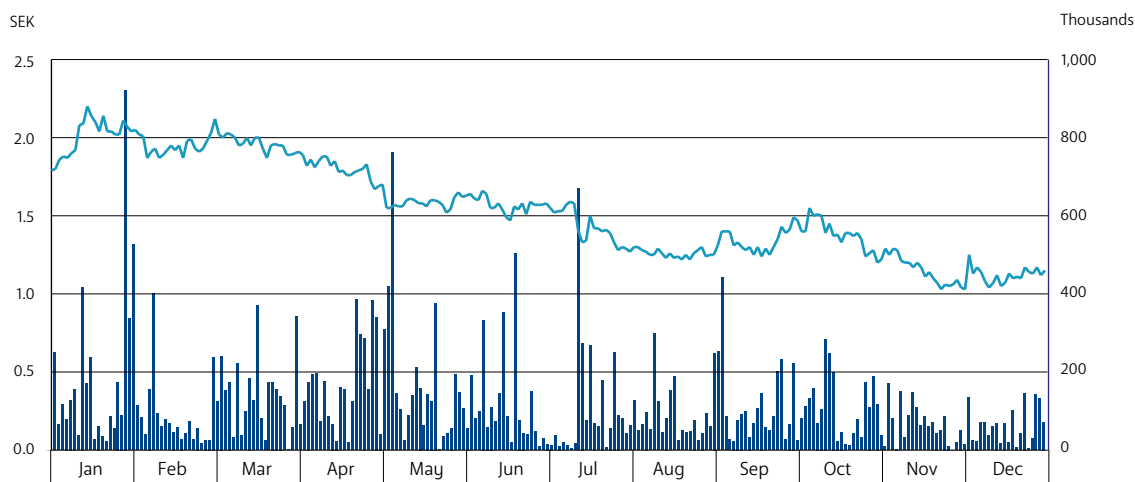
Dividend policy

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 as of December 31, 2018 was 2,568, compared with 2,634 the previous year. The 10 largest shareholders together held 65.6 percent of the share capital and the corresponding proportion of the votes.

SHARE PRICE MOVEMENT 2018



The 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)	33,803,507	16.79	16.79
CTM Invest AB	23,629,714	11.73	11.73
The Hamilton/Lewenhaupt family including companies	19,034,313	9.45	9.45
LMK Stiftelsen	15,000,000	7.45	7.45
Jan Westlund	9,371,352	4.65	4.65
Avanza Pension	7,517,121	3.73	3.73
Nordnet Pensionsförsäkring AB	7,260,721	3.61	3.61
Mikael Aronowitsch including companies and foundation	7,101,952	3.53	3.53
Ribbskottet AB	6,000,000	2.98	2.98
Jonas Svensson	3,300,000	1.64	1.64
Total for 10 largest shareholders	132,018,680	65.56	65.56
Other	69,370,589	34.44	34.44
Total	201,389,269	100.00	100.00

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 the 1996 option agreement	2,250,000	225,000.00	2,000,000	27,000,000	2,900,000.00
1998	New share issue	6,850,000	685,000.00	2,000,000	33,850,000	3,585,000.00
2003	Conversion of Class A shares to Class B shares	–	–	–	35,850,000	3,585,000.00
2008	New share issue	11,648,491	1,164,849.10	–	47,498,491	4,749,849.10
2008	New share issue	8,000	800.00	–	47,506,491	4,750,649.10
2010	New share issue	11,000,000	1,100,000.00	–	58,506,491	5,850,649.10
2011	New share issue	29,253,245	2,925,324.50	–	87,759,736	8,775,973.60
2011	New share issue	7,600,000	760,000.00	–	95,359,736	9,535,973.60
2012	New share issue	12,371,972	1,237,197.20	–	107,731,708	10,773,170.80
2013	Reduction of share capital	–	-5,386,585.40	–	107,731,708	5,386,585.40
2015	New share issue	43,092,683	2,154,634.15	–	150,824,391	7,541,219.55
2015	Private placement	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

After the end of the financial year an additional 2,483,292 shares were issued in accordance with the 2015/2018 employee option program. As a result, share capital amounts to SEK 10,193,628.05, represented by 203,872,561 shares.

Five-year summary

Income statement, SEK thousands	2018	2017	2016	2015	2014
Net revenue	195,561	195,394	113,892	78,975	62,505
Change in inventories in production and finished goods	-780	2,630	2,631	-	-
Other operating income	1,215	567	544	47	47
Total income	195,996	198,591	117,067	79,022	62,552
Operating expenses	-183,265	-176,771	-113,260	-76,320	-55,468
Operating profit before depreciation and amortization (EBITDA)	12,731	21,820	3,807	2,702	7,084
Depreciation, amortization, and impairment	-11,957	-7,227	-2,870	-1,365	-170
Operating profit	774	14,593	937	1,337	6,914
Net financial items	-356	-432	-432	-50	-174
Profit before tax	418	14,161	505	1,287	6,740
Tax	2,946	2,909	3,710	1,866	-1,512
NET PROFIT/LOSS FOR THE YEAR	3,364	17,070	4,215	3,153	5,228

Balance sheet, SEK thousands					
Subscribed capital unpaid	2,806	-	-	-	-
Intangible non-current assets	51,400	53,286	32,325	20,358	-
Property, plant, and equipment	3,008	1,425	948	1,028	92
Non-current financial assets	7,259	9,135	6,917	4,194	1,861
Inventories	37,037	40,210	22,099	14,372	6,807
Current receivables	45,251	59,526	33,331	17,390	11,688
Cash and bank balances	20,297	23,276	9,903	4,492	5,869
Total assets	167,058	186,858	105,523	61,834	26,317
Equity	105,331	96,731	45,707	44,059	13,493
Liabilities to credit institutions	5,500	7,598	8,567	-	-
Non-current liabilities	16,232	28,370	14,227	1,476	543
Current liabilities	39,995	54,159	37,022	16,299	12,281
Total equity and liabilities	167,058	186,858	105,523	61,834	26,317

Cash flow, SEK thousands					
Cash flow before changes in working capital	14,204	37,821	10,390	3,154	7,453
Cash flow from changes in working capital	-1,201	-17,117	-9,487	2,069	464
Operating cash flow	13,003	20,704	903	5,223	7,917
Cash flow from investing activities	-13,690	-40,298	-4,034	-35,174	-
Cash flow from financing activities	-2,516	32,911	8,670	28,619	-3,445
Cash flow for the period	-3,203	13,317	5,539	-1,332	4,472

Key figures					
Net revenue, SEK thousands	195,561	195,394	113,892	78,975	62,505
Growth in net revenue, %	0.1	71.6	44.2	26.3	24.5
EBITDA margin, %	6.5	11.2	3.3	3.4	11.3
Operating margin, %	0.4	7.5	0.8	1.7	11.1
Equity ratio, %	63.1	51.8	43.3	71.3	51.3
Return on equity, %	3.3	24.0	9.4	11.0	48.1
Asset turnover ratio	1.8	2.5	2.3	2.7	5.0
Basic earnings per share, SEK	0.02	0.09	0.03	0.02	0.05
Diluted earnings per share, SEK	0.02	0.09	0.03	0.02	0.05
Average number of shares, thousands	201,389	187,320	167,824	144,712	107,732
Number of shares at end of period, thousands	201,389	201,389	167,824	167,824	107,732
Market price on closing day, SEK	1.15	1.65	1.13	1.47	0.63
Average number of employees	89	95	73	40	14

The figures for 2014 and previous periods relate to the Parent Company.

Directors' report 2018

Operations

TagMaster with its subsidiaries ("the Group" or "TagMaster") is an applications-based technology company that develops and sells advanced sensor systems and solutions based on radio, radar and camera technologies (RFID and ANPR) for demanding environments. TagMaster operates in two business areas, Traffic Solutions and Rail Solutions, under the brands TagMaster, CitySync, Balogh, CA Traffic, Magsys and Hikob, 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 US 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 channeled to product areas in accordance with the Company's commercial strategy. Tool support for collaboration between the various development offices and video conferencing systems have become central to the work methodology used. During the year, development resources were largely used to develop new ANPR cameras and an all-new RFID scanner for parking, tolling services and safety-critical rail train applications. Projects have also been conducted in radar applications, sensors and IoT, as well as an array of software-oriented activities for conversion, consolidation, presentation and analysis of traffic data. A project to improve efficiency and harmonize production of the Company's products continues, with ongoing support from the development team. The Development department consists of 31 (33) people and is the Company's single biggest cost item. The costs of product development over the year amounted to about 28 percent (27) of the Group's other external costs and personnel costs.

Significant events during the year

On 30 August TagMaster acquired all assets related to the company Hikob's sensor products, network systems and data collection platform, as well as relevant staff. The company, which was founded in 2011, is based in Grenoble, France, and has a strong position in parking, traffic and weather sensors. The acquisition of assets took place through a newly formed company, SAS Hikob, which is wholly owned by TagMaster AB's French subsidiary, Balogh International. The Company used its own bank funds to finance the acquisition.

Expected future developments

The outlook remains unchanged, with the Company having excellent opportunities for growth in both Traffic Solutions and Rail Solutions. The market shares are still small in a large and growing market, for which reason future growth primarily depends on the Company's own capacity to perform. The Group's companies will, however, see periods in the future when growth in sales and profit momentarily stops as we invest for future growth, which means that costs will be higher than revenue. As a consequence, TagMaster will continue to actively identify additional candidates for acquisitions in current and related technology areas with the aim of expanding our product offering and market presence in order to become a more attractive provider of this type of real-time information, which is a prerequisite for building the Smart Cities of the future.

Revenue and profit

Sales for the year are on a par with the previous year and totaled SEK 195.6 million (195.4). The trend for traffic sales was favorable over the course of the year, with an increase of about 26 percent. As expected, however, rail sales were lower than the previous year at SEK 55.9 million, down from SEK 78.1 million. Operating profit was SEK 0.8 million (14.6).

Costs came to SEK 110.9 million (106.7). The general increase is attributable to TagMaster's greater size following the acquisition of Magsys and Hikob, as well as because CA Traffic belonged to the Group for the entire year. TagMaster applies the expensing method for development expenditure, which means that no development is capitalized.

Cash flow and financial position

As at December 31, 2018, available liquidity was SEK 32.3 million (35.3) of which bank overdraft facilities accounted for SEK 12.0 million (12.0). The equity ratio at the end of the period was 63.1 percent (51.8). Operating cash flow for the full year amounted to SEK 13.0 million (20.7).

Accounts receivable amounted to SEK 32.1 million (46.3) while accounts payable came to SEK 12.8 million (18.7). Inventories amounted to SEK 37.0 million (40.2). The inventory level is dropping and our ambition is for inventory levels to come down to even lower levels in 2019.

Parent Company

Parent Company sales amounted to SEK 73.9 million (90.4). Operating profit for the period was SEK 8.7 million (14.1) with profit after tax of SEK 7.1 million (10.5). The Parent Company had an average of 20 (17) employees.

Personnel

The average number of employees was 89 (95), with women making up 28 percent (24) of this figure. At the end of the year, the Parent Company had 79 (92) employees. Efforts to streamline our organization continue, which may result in additional staff cuts moving forward.

Option program

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 1.08 new Class B shares in TagMaster for each warrant they hold. The exercise price corresponded to 140 percent of the average price for the measurement period at the time the program was established, which after recalculation under the provisions of the warrant terms gave a subscription price of SEK 1.13 per new share.

In December, the CEO of TagMaster exercised all warrants held for subscription of 2,159,292 new shares and thus owns a total of 5,459,292 in the Company. The CFO of TagMaster also exercised all 324,000 warrants held for subscription of new shares.

Shareholders

TagMaster AB (publ.) 556487-4534, with its registered office in Stockholm is listed and its shares are traded on the First North market. TagMaster's Certified Advisor is Penser Bank.

The number of TagMaster shareholders as at December 31, 2018 was 2,568 (2,634). At year-end, the following shareholders held more than 10 percent of the shares in the Company:

Shareholder

	No. of shares	Holding, %
Ålandsbanken AB, W8IMY (of which G. Sviberg holds 28,698,517 privately and through companies)	33,803,507	16.8
CTM Invest AB	23,629,714	11.7

Appropriation of profits

(Amounts in SEK)

Proposed appropriation of the Company's profit

The following unappropriated profits are available to the AGM:

Retained earnings	39,557,867
Share premium reserve	60,978,522
Net profit for the year	7,070,905
Total	107,607,294
The Board proposes that:	
this sum be carried forward	107,607,294
Total	107,607,294

The Group

Five-year summary (SEK thousands)

	2018	2017	2016	2015
Net revenue	195,561	195,394	113,892	78,975
Operating profit	774	14,593	937	1,337
Profit after financial items	418	14,161	505	1,287
Balance sheet total	167,058	186,858	105,523	61,834
Equity ratio, %	63.1	51.8	43.3	71.3
Average number of employees	89	95	73	40

Parent Company

Five-year summary (SEK thousands)

	2018	2017	2016	2015	2014
Net revenue	73,891	90,413	79,837	66,468	62,505
Operating profit	8,722	14,063	10,610	7,621	6,914
Profit after financial items	8,303	13,824	10,019	7,310	6,740
Balance sheet total	139,505	142,801	86,476	63,462	26,317
Equity ratio, %	84.6	75.7	72.9	80.5	51.3
Average number of employees	20	17	19	16	14

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 2018 accounted for 9 percent of total sales with the five largest together accounting for 25 percent. The loss of a significant partner can thus have major consequences for the Group, although since the Group has grown both organically and through acquisitions, this means that there are opportunities to compensate for any losses through new and existing partners in our new home markets.

Suppliers

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

Personnel

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

Product liability

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

Intellectual property rights

To manage the risk of infringement and plagiarism of the Group's products, the Group has a number of its own patents, either approved or pending, for a number of main markets. These patents relate to some of the core

functionality of our products and the name TagMaster is a registered trademark.

Financial risk management

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

Financial risk management

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

Market risks

Acquisitions and integration

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

Market economy situation

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

Competition

Companies of all sizes are active in both the RFID and ANPR fields, and competition is stiff. Technical development is at a rapid pace and the major players are able to make substantial investments and introduce new, competitive technology. Even new companies with new technology and low prices can become established in the field and make TagMaster seem less competitive. To satisfy

increasing levels of technical competition and to come up with competitive products for the future, research and development operations have been strengthened and streamlined in Kista and the Group's other development units in Stevenage, Aylesbury, Zilina, Toulouse and Hikob.

Currency risk

This refers to the risk of the Group's financial performance and equity being adversely affected due to changes in exchange rates. The Group is exposed to two types of currency risk: transaction exposure and balance sheet exposure. Transaction exposure concerns currency risk attributable to the Group's payment flows in foreign currency. Approximately 96 percent (96) of the Group's sales in 2018 was in a currency other than SEK. Of the total external purchases (goods for resale and other external costs), approximately 70 percent (62) were made in foreign currency. Price clauses are included in sales agreements to reduce the risk of there being an adverse effect on the Group's financial performance and position due to currency fluctuations. For the same reason, every effort is made to achieve a balance between the selling currency and buying currency.

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

Interest rate risk

The Group's interest rate risk is primarily associated with interest-bearing liabilities, which amounted to SEK 5,500,000 on the balance sheet date. The Group's interest-bearing liabilities have a variable interest rate.

Price risk

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

Credit risk

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

Liquidity and financing risk

The Group is always working to improve its liquidity and has overdraft facilities in place to offset the liquidity risk. As at December 31, 2018, available liquidity was SEK 32,297,000 of which bank overdraft facilities constituted SEK 12,000,000.

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

Consolidated income statement

Amounts in SEK thousand	Note	2018	2017
Operating income etc.			
Net revenue	3	195,561	195,394
Change in inventories in production and finished goods		-780	2,630
Other operating income	5	1,215	567
Total operating income		195,996	198,591
Operating expenses			
Raw materials and consumables		-9,036	-13,505
Goods for resale		-63,057	-55,850
Other external costs	6, 7, 8	-41,865	-38,913
Personnel costs	6, 9	-68,989	-67,797
Depreciation/amortization of property, plant, and equipment and intangible non-current assets		-11,957	-7,226
Other operating expenses		-318	-707
Total operating expenses		-195,222	-183,998
Operating profit		774	14,593
Result from financial investments			
Result from other securities and receivables held as non-current assets	10	0	56
Other interest income and similar items	11	187	49
Interest expenses and similar items	12	-543	-537
Total financial items		-356	-432
Profit after financial items		418	14,161
Tax on net profit for the year	13	2,946	2,909
Net profit for the year		3,364	17,070
Attributable to			
Shareholders in the Parent Company		3,364	17,070
		3,364	17,070
Basic earnings per share		0.02	0.09
Diluted earnings per share		0.02	0.09
Number of shares, average		201,389,269	187,319,608
Number of shares, end of period		201,389,269	201,389,269

Consolidated balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2018	Dec. 31, 2017
ASSETS			
Subscribed capital unpaid	26	2,806	–
Non-current assets			
Intangible non-current assets			
Capitalized development expenditure	14	3,644	5,386
Goodwill	15, 16	47,756	47,900
Total intangible assets		51,400	53,286
Property, plant, and equipment			
Land and buildings	17	0	0
Leasehold improvements	18	160	428
Equipment, tools, fixtures and fittings	19	2,848	997
Total property, plant, and equipment		3,008	1,425
Non-current financial assets			
Deferred tax assets	22	6,118	7,155
Other non-current receivables	23	1,141	1,980
Total non-current financial assets		7,259	9,135
Total non-current assets		61,667	63,846
Current assets			
Inventories etc.			
Raw materials and consumables		10,709	6,465
Work in progress		4,362	3,753
Finished products and goods for resale		21,966	29,992
Total inventories		37,037	40,210
Current receivables			
Accounts receivable		32,079	46,267
Other receivables	24	10,117	10,608
Prepayments and accrued income	25	3,055	2,651
Total current receivables		45,251	59,526
Cash and bank balances		20,297	23,276
Total current assets		102,585	123,012
TOTAL ASSETS		167,058	186,858

Consolidated balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2018	Dec. 31, 2017
EQUITY AND LIABILITIES			
Equity	26		
Share capital		10,069	10,069
Ongoing new share issue		124	–
Other contributed capital		130,982	128,300
Other equity		-39,208	-58,708
Net profit for the year		3,364	17,070
Total equity		105,331	96,731
Provisions			
Deferred tax liabilities	27	272	611
Other provisions	28	6,435	13,546
Total provisions		6,707	14,157
Non-current liabilities	29		
Liabilities to credit institutions	31	3,500	5,598
Total non-current liabilities		9,525	10,766
Total non-current liabilities		13,025	16,364
Current liabilities			
Liabilities to credit institutions	31	2,000	2,000
Accounts payable		12,826	18,736
Other current liabilities	33	8,204	12,705
Accrued expenses and deferred income	34	18,965	26,165
Total current liabilities		41,995	59,606
TOTAL EQUITY AND LIABILITIES		167,058	186,858

Consolidated statement of changes in equity

Amounts in SEK thousand	Share capital	Ongoing new share issue	Other contributed capital	Other equity incl. net profit for the year	Total equity
Amount at start of year, Jan. 1, 2018	10,069	–	128,300	–41,638	96,731
Ongoing new share issue according to option program 2015/2018		124	2,682		2,806
Translation difference for the year				2,430	2,430
Net profit for the year				3,364	3,364
Amount at end of year, Dec. 31, 2018	10,069	124	130,982	–35,844	105,331

Consolidated statement of cash flows

Amounts in SEK thousand	Note	2018	2017
Operating activities			
Operating profit		774	14,593
Adjustments for non-cash items	35	10,054	21,018
Interest received		187	105
Interest paid		–467	–484
Tax refund		3,656	2,589
Operating cash flow before changes in working capital		14,204	37,821
Cash flow from changes in working capital			
Reduction (+)/increase (–) in inventories		5,832	–7,009
Reduction (+)/increase (–) in operating receivables		16,348	–8,980
Reduction (–)/increase (+) in operating liabilities		–23,381	–1,128
Operating cash flow		13,003	20,704
Investing activities			
Acquisitions of property, plant, and equipment		–1,447	–727
Sale of property, plant, and equipment		0	230
Acquisition of business		–13,134	–39,647
Repayments made		995	–
Payments made		–104	–154
Cash flow from investing activities		–13,690	–40,298
Financing activities			
Amortization of financial liabilities		–2,000	–1,000
New share issue		–	33,931
Repayment of other non-current liabilities		–516	–
Option payments received and refunded		–	–20
Cash flow from financing activities		–2,516	32,911
Cash flow for the year		–3,203	13,317
Cash and cash equivalents at start of year		23,276	9,903
Exchange rate differences in cash and cash equivalents		224	56
Cash and cash equivalents at end of year	36	20,297	23,276

Parent Company income statement

Amounts in SEK thousand	Note	2018	2017
Operating income etc.			
Net revenue	3, 4	73,891	90,413
Other operating income	5	826	0
Total operating income		74,717	90,413
Operating expenses			
Goods for resale		-25,075	-33,587
Other external costs	7, 8	-16,756	-20,115
Personnel costs	9	-24,150	-22,436
Other operating expenses		-14	-212
Total operating expenses		-65,995	-76,350
Operating profit		8,722	14,063
Result from financial investments			
Result from other securities and receivables held as non-current assets	10	-318	-82
Other interest income and similar items	11	211	143
Interest expenses and similar items	12	-312	-300
Total financial items		-419	-239
Profit after financial items		8,303	13,824
Profit before tax		8,303	13,824
Tax on net profit for the year	13	-1,232	-3,317
Net profit for the year		7,071	10,507

Parent Company balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2018	Dec. 31, 2017
ASSETS			
Subscribed capital unpaid	26	2,806	–
Non-current assets			
Non-current financial assets			
Participations in Group companies	20	86,115	88,930
Receivables from Group companies	21	22,788	9,288
Deferred tax assets	22	1,402	2,634
Total non-current assets		110,305	100,852
Current assets			
Inventories etc.			
Finished products and goods for resale		10,200	13,053
Total current assets		10,200	13,053
Current receivables			
Accounts receivable		8,270	8,063
Receivables from Group companies		1,003	1,976
Other receivables	24	2,035	2,092
Prepayments and accrued income	25	1,265	1,383
Total current receivables		12,573	13,514
Cash and bank balances		3,621	15,382
Total current assets		26,394	41,949
TOTAL ASSETS		139,505	142,801

Parent Company balance sheet

Amounts in SEK thousand	Note	Dec. 31, 2018	Dec. 31, 2017
EQUITY AND LIABILITIES			
Equity	26		
Restricted equity			
Share capital		10,069	10,069
Ongoing new share issue		124	–
Statutory reserve		216	216
Total restricted equity		10,409	10,285
Unrestricted equity			
Share premium reserve		60,978	58,296
Retained earnings		39,558	29,051
Net profit for the year		7,071	10,507
Total unrestricted equity		107,607	97,854
Total equity		118,016	108,139
Provisions			
Other provisions	28	3,735	7,819
Total provisions		3,735	7,819
Non-current liabilities	29		
Liabilities to credit institutions	31	3,500	5,500
Total non-current liabilities		3,500	5,500
Current liabilities			
Liabilities to credit institutions	31	2,000	2,000
Accounts payable		4,174	7,485
Other liabilities	33	534	396
Accrued expenses and deferred income	34	7,546	11,462
Total current liabilities		14,254	21,343
TOTAL EQUITY AND LIABILITIES		139,505	142,801

Parent Company statement of changes in equity

Amounts in SEK thousand	Share capital	Statutory reserve	Ongoing new share issue	Share premium reserve	Retained earnings incl. net profit/loss for the year	Total equity
Amount at start of year, Jan. 1, 2018	10,069	216	–	58,296	39,558	108,139
Ongoing new share issue according to option program 2015/2018			124	2,682		2,806
Net profit for the year					7,071	7,071
Amount at end of year, Dec. 31, 2018	10,069	216	124	60,978	46,629	118,016

Parent Company statement of cash flows

Amounts in SEK thousand	Note	2018	2017
Operating activities			
Operating profit		8,722	14,063
Adjustments for non-cash items	35	-1,395	1,250
Interest paid		-185	-186
Operating cash flow before changes in working capital		7,142	15,127
Cash flow from changes in working capital			
Reduction (+)/increase (-) in inventories		2,853	-3,234
Reduction (+)/increase (-) in operating receivables		941	2,792
Reduction (-)/increase (+) in operating liabilities		-6,089	5,154
Operating cash flow		4,847	19,839
Investing activities			
Acquisitions of subsidiaries		-997	-42,711
Amortization of non-current receivables from Group companies		–	4,742
Lending to subsidiaries		-13,611	-1,572
Cash flow from investing activities		-14,608	-39,541
Financing activities			
Amortization of financial liabilities		-2,000	-1,000
New share issue		–	33,931
Cash flow from financing activities		-2,000	32,931
Cash flow for the year		-11,761	13,229
Cash and cash equivalents at start of year		15,382	2,153
Cash and cash equivalents at end of year	36	3,621	15,382

Notes

Amounts in SEK thousand unless otherwise specified

Note 1 • Accounting policies and valuation principles

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

Accounting currency

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

Consolidated financial statements

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

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

Intercompany gains between Group companies are eliminated in full.

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

Participations in Group companies

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

Statement of cash flows

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

Valuation principles etc.

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

Revenue recognition

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

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

Capitalized development expenditure*

The Group applies the expensing method.

Property, plant, and equipment and intangible assets

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

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

*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 statement for the year to which they relate.

Leases

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

Note 1 continued

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 can 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.

Current receivables are valued at the lower of cost and net realizable value. 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 translated at the closing rate. The difference between the cost of acquisition and the closing value has been recognized in the income statement.

Impairment

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

Income tax

Recognition of income tax pertains to current tax and deferred tax. The tax is recognized in the income statement, except where it relates to items recognized directly in equity. In such cases, tax is also recognized in equity. Deferred tax is recognized using the balance sheet method for all significant temporary differences. A temporary difference arises when the carrying amount of an asset or liability differs from its tax assessment value.

Deferred tax is calculated by applying the tax rate that has been enacted or announced at the balance sheet date.

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

Inventories etc.

Inventories are valued at the lower of cost and net realizable value. 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 additional obligations once the contribution has been paid.

Note 2 • Estimates and assumptions

Company management makes estimates and assumptions about the future. These estimates rarely correspond to what actually happens. The estimates and assumptions that 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, it is considered whether there is any indication that the value of assets is lower than the carrying amount. If there is such an indication, the asset's recoverable amount is calculated, which is the higher of an asset's fair value less selling expenses and value in use.

Note 3 • Breakdown of net revenue

Geographic market	The Group		Parent Company	
	2018	2017	2018	2017
EMEA	140,605	126,931	31,982	39,626
Asia Pacific	20,782	35,523	15,649	23,504
Americas	34,174	32,940	26,260	27,283
Total	195,561	195,394	73,891	90,413

Business segment	The Group		Parent Company	
	2018	2017	2018	2017
Traffic	126,018	101,015	42,113	48,705
Rail	55,948	78,096	30,696	40,480
Industry/other	13,595	16,283	1,082	1,228
Total	195,561	195,394	73,891	90,413

Note 4 • Intra-Group purchases and sales

	Parent Company	
	2018	2017
Proportion of sales attributable to Group companies, %	1.3	0.1
Proportion of purchases attributable to Group companies, %	1.0	0.7

Note 5 • Other operating income

Business segment	The Group		Parent Company	
	2018	2017	2018	2017
Exchange rate differences	897	45	826	0
Sale of equipment	0	164	–	–
Other	318	358	–	–
Total	1,215	567	826	0

Note 6 • Exceptional costs

Exceptional costs	The Group		Reported in income statement as:
	2018	2017	
Restructuring costs CA Traffic and Balogh	1,964	5,875	Personnel costs
Restructuring costs CA Traffic	–	767	Other external costs
Impairment loss, inventories, CA Traffic and Balogh	–	1,971	Raw materials and consumables and Goods for resale
Total	1,964	8,613	

Exceptional costs in 2017 and 2018 were attributable to the change process under way at CA Traffic and Balogh. The Parent Company's income statement does not include any costs that are regarded as exceptional.

Note 7 • Lease payments

	The Group		Parent Company	
	2018	2017	2018	2017
Operating leases, including rent for premises				
Lease payments, cost for the year	4,803	4,567	1,423	1,343
The remaining lease payments fall due as follows:				
No later than one year	4,214	4,730	1,440	1,360
Later than one year but within five years	8,413	7,003	2,880	111
Later than five years	–	2,644	–	–
Total	12,627	14,377	4,320	1,471

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

Note 8 • Remuneration for auditors

	The Group		Parent Company	
	2018	2017	2018	2017
Fees and expenses				
<i>Mazars SET Revisionsbyrå AB</i>				
Audit assignment	1,004	1,046	459	460
Other audit activities	39	–	15	–
Tax advisory services	18	46	–	5
Other services	87	227	27	40
Total	1,148	1,319	501	505
<i>Other auditing firm</i>				
Audit assignment	62	–	–	–
Other services	–	31	–	–
Total	62	31	–	–
Total	1,210	1,350	501	505

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

	2018		2017	
	Number of employees	Of whom men	Number of employees	Of whom men
Average number of employees				
Parent Company				
Sweden	20	16	17	14
Subsidiaries				
United Kingdom	30	25	48	42
France	39	23	30	16
Total subsidiaries	69	48	78	58
Group total	89	64	95	72

	2018		2017	
	Women	Men	Women	Men
Gender representation among senior executives				
Board of Directors	0	4	0	5
CEO and other management	1	5	1	4

Note 9 continued

	Board, CEO, and other senior executives		Other		Total	
Salaries and remuneration, by senior executives and other employees	2018	2017	2018	2017	2018	2017
Parent Company	6,410	5,683	9,444	8,079	15,854	13,762
Subsidiaries	2,337	2,198	33,464	28,441	35,801	30,639
Group total	8,747	7,881	42,908	36,520	51,655	44,401

	Salaries and other remuneration		Social security contributions		Of which, pension costs	
Salaries and remuneration, by senior executives and other employees	2018	2017	2018	2017	2018	2017
Parent Company	15,854	15,485	7,594	7,468	2,869	2,584
Subsidiaries	35,801	30,639	10,321	8,346	2,790	1,703
Group total	51,655	46,124	17,915	15,814	5,659	4,287

	2018				2017			
Remuneration to the 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	–	–	–
Örjan Johansson, Board member	100	–	–	–	100	–	–	–
Magnus Jonsson, Board member	100	–	–	–	100	–	–	–
Gert Sviberg, Board member	100	–	–	–	100	–	–	–
Other senior executives				–				
Jonas Svensson, CEO	2,450	430	553	–	1,896	915	577	158
Other senior executives (5)	5,267	50	976	–	5,985	–	603	–
Total	8,267	480	1,529	–	8,531	915	1,180	158

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 non-current assets

	The Group		Parent Company	
	2018	2017	2018	2017
Exchange rate losses on non-current receivables from subsidiaries	–	–	-318	-138
Exchange rate gains arising from acquisitions of subsidiaries	–	56	–	56
Total	–	56	-318	-82

Note 11 • Other interest income and similar items

	The Group		Parent Company	
	2018	2017	2018	2017
Interest expenses, Group companies	–	–	207	143
Other interest income	187	49	4	0
Total	187	49	211	143

Note 12 • Interest expenses and similar items

	The Group		Parent Company	
	2018	2017	2018	2017
Interest expenses	-223	-372	-223	-300
Exchange rate loss attributable to conditional additional purchase consideration	-89	-	-89	-
Other financial expenses	-231	-165	0	0
Total	-543	-537	-312	-300

Note 13 • Tax on net profit for the year

	The Group		Parent Company	
	2018	2017	2018	2017
Current tax	3,818	2,813	-	-
Deferred tax	-872	96	-1,231	-3,317
Total	2,946	2,909	-1,231	-3,317
<i>Theoretical tax</i>				
Recognized income before tax	418	14,161	8,303	13,824
Tax at current tax rate, 22%	-92	-3,115	-1,827	-3,041
<i>Reconciliation of recognized tax</i>				
Effect of foreign tax rate	-711	1,114	-	-
Tax effect of non-deductible expenses	-62	-275	-55	-275
Effect of non-taxable income	381	0	305	-
Effect of amortization of goodwill on consolidation	-1,904	-1,149	-	-
Effect of other adjustments to income on consolidation	70	360	-	-
Effect of unrecognized loss carry-forwards	-1,417	-1,888	-	-
Effect of previously used, unrecognized loss carry-forward	-	1,341	-	-
Effect of recognized loss carry-forwards from earlier years	2,273	4,046	-	-
Effect from previous years	568	-	375	-
Effect of changed tax rate	-50	-	-30	-
Other*	3,890	2,475	-	-
Total	2,946	2,909	-1,232	-3,317

*Tax receivable of SEK 3,890 thousand (2,475) under tax regulations in the UK and France and based on development expenditure incurred.

Note 14 • Capitalized development expenditure

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	16,622	-	-	-
Taken over at acquisition	503	16,974	-	-
Translation difference for the year	380	-352	-	-
Closing accumulated acquisition cost	17,505	16,622	-	-
Opening depreciation/amortization	-11,236	-	-	-
Taken over at acquisition	-	-10,003	-	-
Depreciation/amortization for the year	-2,422	-1,423	-	-
Translation difference for the year	-203	190	-	-
Closing accumulated depreciation/amortization	-13,861	-11,236	-	-
Carrying amount	3,644	5,386	-	-

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

Note 15 • Goodwill

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	56,602	35,727	–	–
Business combinations	–	20,880	–	–
Adjusted conditional additional purchase consideration	-2,815	–	–	–
Translation difference for the year	1,686	-5	–	–
Closing accumulated acquisition cost	55,473	56,602	–	–
Opening depreciation/amortization	-8,702	-3,402	–	–
Depreciation/amortization for the year	-7,992	-5,221	–	–
Translation difference for the year	-147	-79	–	–
Closing accumulated depreciation/amortization	-16,841	-8,702	–	–
Carrying amount	38,632	47,900	–	–

The preliminary acquisition analysis prepared in conjunction with the acquisition of Magsys SA in December 2017 included an additional purchase consideration of SEK 4.7 million. Since it is not considered to be likely that the additional purchase consideration will be paid in full, the acquisition analysis has been recalculated, for which reason

goodwill has decreased by SEK 2.8 million. The information relating to the additional purchase consideration was received within twelve months of the time of acquisition, for which reason the change is recognized as an adjustment to the preliminary acquisition analysis and not as a correction in the income statement.

Note 16 • Goodwill arising from purchase of net assets of a business

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Acquisition of business	10,127	–	–	–
Translation difference for the year	-341	–	–	–
Closing accumulated acquisition cost	9,786	–	–	–
Depreciation/amortization for the year	-662	–	–	–
Closing accumulated depreciation/amortization	-662	–	–	–
Carrying amount	9,124	–	–	–

Note 17 • Land and buildings

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	825	825	–	–
Closing accumulated acquisition cost	825	825	–	–
Opening depreciation/amortization	-825	-825	–	–
Closing accumulated depreciation/amortization	-825	-825	–	–
Carrying amount	0	0	–	–

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

Note 18 • Leasehold improvements

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	2,657	789	–	–
Taken over at acquisition	–	184	–	–
Sales and disposals	-181	–	–	–
Reclassification	–	1,704	–	–
Translation difference for the year	54	-20	–	–
Closing accumulated acquisition cost	2,530	2,657	–	–
Opening depreciation/amortization	-2,229	-327	–	–
Taken over at acquisition	–	-128	–	–
Depreciation/amortization for the year	-282	-273	–	–
Sales and disposals	181	–	–	–
Reclassification	–	-1,513	–	–
Translation difference for the year	-40	12	–	–
Closing accumulated depreciation/amortization	-2,370	-2,229	–	–
Carrying amount	160	428	–	–

Note 19 • Equipment, tools, fixtures and fittings

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	9,931	6,658	3,265	3,265
Purchases	1,447	727	–	–
Taken over at acquisition	1,029	3,698	–	–
Sales and disposals	-189	-1,180	–	–
Reclassification	–	37	–	–
Translation difference for the year	160	-9	–	–
Closing accumulated acquisition cost	12,378	9,931	3,265	3,265
Opening depreciation/amortization	-8,934	-6,172	-3,265	-3,265
Depreciation/amortization for the year	-599	-309	–	–
Taken over at acquisition	–	-3,342	–	–
Sales and disposals	189	1,114	–	–
Reclassification	–	-218	–	–
Translation difference for the year	-186	-7	–	–
Closing accumulated depreciation/amortization	-9,530	-8,934	-3,265	-3,265
Carrying amount	2,848	997	0	0

Note 20 • Participations in Group companies

Parent Company					Carrying amount	
					Dec. 31, 2018	Dec. 31, 2017
Company	Corp. ID no.	Reg. office	Number of	Share of equity		
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 Limited	2964439	Aylesbury	1,000	100%	32,370	32,370
Magsys SA	444,799,035	Biarritz	11,320	100%	13,317	16,132
					86,115	88,930

SA Balogh International

Company	Corp. ID no.	Reg. office	Number of	Share of equity
SA Balogh	582,061,073	Clichy	31,941	100%
Balogh Normandie	310,498,423	Pont-l'Évêque	5,920	100%
SAS Hikob	841,442,254	Clichy	3,000	100%

The subsidiary SAS Hikob was acquired during the year. For further information, see Note 37.

			Parent Company	
			Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost			88,930	40,428
Purchases			–	48,502
Revalued additional purchase consideration Magsys SA			-2,815	–
Carrying amount			86,115	88,930

Note 21 • Receivables from Group companies

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	–	–	9,288	12,454
Lending	–	–	13,611	1,572
Amortization	–	–	–	-4,742
Accrued interest	–	–	207	143
Translation difference for the year	–	–	-318	-139
Carrying amount	–	–	22,788	9,288

Note 22 • Deferred tax assets

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	7,155	5,291	2,634	5,291
Change via acquisitions	–	986	–	–
Utilized during the year	-3,879	-3,896	-1,607	-3,316
Capitalization of claims for tax loss carry-forwards	2,273	4,046	–	–
Effect of deductible share issue costs on deferred tax	–	658	–	658
Capitalization of claims regarding temporary differences	375	–	375	–
Translation difference for the year	195	69	–	–
Carrying amount	6,118	7,155	1,402	2,634

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 about SEK 138,800 thousand (147,900 thousand). The deferred tax asset relates to a valuation of SEK 20,217 thousand (26,745 thousand) of these loss carry-forwards.

Note 23 • Other non-current receivables

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening acquisition cost	1,980	1,626	–	–
Taken over at acquisition	–	94	–	–
Plus	105	827	–	–
Amortization/decrease	-995	-619	–	–
Adjustment attributable to repayment previous year	-31	–	–	–
Translation difference for the year	82	52	–	–
Carrying amount	1,141	1,980	–	–

Other non-current receivables relate to rental deposits.

Note 24 • Other receivables

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Tax assets	4,472	3,332	1,060	391
VAT receivable	2,079	3,449	975	1,701
Advance payments to suppliers	2,366	3,471	–	–
Other receivables	1,200	356	–	–
Total	10,117	10,608	2,035	2,092

The tax asset includes a receivable of SEK 2,937 thousand (2,476) under tax regulations in the UK and France and based on development expenditure incurred. The amounts are expected to accrue to CitySync and Balogh SA in 2019.

Note 25 • Prepayments and accrued income

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Prepaid rent	930	609	319	312
Prepaid insurance	758	918	323	593
Other prepaid expenses	1,367	1,124	623	478
Carrying amount	3,055	2,651	1,265	1,383

Note 26 • Equity

As at 31 December 2018 there are 201,389,269 shares, each with a face value of SEK 0.05 per share. TagMaster's option program 2015/2018 has been exercised for subscription of 2,483,292 shares at a price of SEK 1.13 per share. Payment and registration of the increase in share capital took place during the first quarter of 2019.

Note 27 • Deferred tax liabilities

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Opening carrying amount	611	–	–	–
Taken over at acquisition	–	556	–	–
Provision for the year	–	55	–	–
Amount utilized during the year	-359	–	–	–
Translation difference for the year	20	–	–	–
Carrying amount	272	611	–	–

Temporary differences exist in the following items:

The Group	Deferred tax asset		Deferred tax liability	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Intangible non-current assets	135	127	272	611
Inventories	265	257	–	–
Tax loss carry-forwards	5,343	6,771	–	–
Guarantee provisions	375	–	–	–
Carrying amount	6,118	7,155	272	611

Parent Company	Deferred tax asset		Deferred tax liability	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Tax loss carry-forwards	1,027	2,634	–	–
Warranty provision	375	–	–	–
Carrying amount	1,402	2,634	–	–

Note 28 • Other provisions

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Guarantee provisions	3,299	5,410	1,750	3,130
Restructuring measures	1,151	3,447	–	–
Additional purchase consideration Magsys SA	1,985	4,689	1,985	4,689
Total	6,435	13,546	3,735	7,819

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
<i>Guarantee provisions</i>				
Opening carrying amount	5,410	2,317	3,130	2,093
Provision for the year	1,899	2,984	767	1,037
Settlement for the year	-4,138	-16	-2,147	–
Translation difference for the year	128	125	–	–
Carrying amount	3,299	5,410	1,750	3,130

In the comparative figures for 2017 an item of SEK 3.4 million was reclassified from provisions to accrued expenses.

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
<i>Restructuring measures</i>				
Opening carrying amount	3,447	–	–	–
Provision for the year	1,151	3,447	–	–
Settlement for the year	-3,590	–	–	–
Translation difference for the year	143	–	–	–
Carrying amount	1,151	3,447	–	–

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

Note 28 continued

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
<i>Additional purchase consideration Magsys SA</i>				
Opening carrying amount	4,689	–	4,689	–
Provision for the year	–	4,689	–	4,689
Revalued additional purchase consideration	-2,815	–	-2,815	–
Interest for the year	50	–	50	–
Translation difference	61	–	61	–
Carrying amount	1,985	4,689	1,985	4,689

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 additional purchase consideration was SEK 4.7 million in the preliminary acquisition analysis that was prepared in conjunction with the acquisition in December 2017. Since it is not considered to be likely

that the additional purchase consideration will be paid in full, the acquisition analysis has been recalculated, for which reason the provision has decreased by SEK 2.7 million. The provision is recognized at the present value of estimated future cash flows generated by the asset, which is required to settle the additional purchase consideration. The nominal amount is 2,055 thousand.

Note 29 • Non-current liabilities

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
<i>Composition liability</i>				
Non-current portion	9,496	10,766	–	–
Current portion	1,213	1,608	–	–
Total	10,709	12,374	–	–

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
<i>Maturing later than five years after the balance sheet date</i>				
Other liabilities	3,420	7,562	–	–
Total	3,420	7,562	–	–

Other non-current liabilities relate to debts of SEK 9,496 thousand (10,766) included in Balogh's composition arrangement whose creditors opted to have repaid to them over eight years.

Note 30 • Pledged assets

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
<i>Assets pledged for liabilities to credit institutions</i>				
Business mortgages	21,800	21,800	21,800	21,800
Total	21,800	21,800	21,800	21,800

Note 31 • Liabilities to credit institutions

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Non-current portion	3,500	5,598	3,500	5,500
Current portion	2,000	2,000	2,000	2,000
Total	5,500	7,598	5,500	7,500

Note 32 • Bank overdraft facilities

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
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
Utilized credit on balance-sheet date	0	0	0	0

Note 33 • Other liabilities

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Advance payments from customers	3,348	7,634	106	4
VAT and other tax-related items	2,459	3,268	427	392
Composition liabilities - Balogh	1,213	1,608	-	-
Other	1,184	195	-	-
Carrying amount	8,204	12,705	533	396

Note 34 • Accrued expenses and deferred income

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Personnel-related costs	9,461	5,521	2,743	4,516
Other accrued expenses	8,420	12,562	4,253	5,204
Deferred income	534	926	-	-
Accrued sales commission payments	550	745	550	745
Restructuring costs	-	5,414	-	-
Additional purchase consideration Magsys SA	-	997	-	997
Carrying amount	18,965	26,165	7,546	11,462

Note 35 • Non-cash items

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Depreciation/amortization	11,957	7,226	-	-
Provisions and accrued expenses	-1,805	14,110	-1,380	1,337
Translation difference for internal transactions	-98	-154	-	-
Capital gains from non-current assets	0	-164	-	-
Exchange rate differences	-	-	192	56
Intra-group interest	-	-	-207	-143
Total	10,054	21,018	-1,395	1,250

Compared with the figures reported in the year-end report, a redistribution has been carried out between Operating cash flow before changes in working capital and Cash flow from changes in working capital. Operating cash flow, however, is unchanged.

Note 36 • Cash and cash equivalents

	The Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Cash in hand	10	9	–	–
Bank balances	20,287	23,267	3,621	15,382
Total cash and cash equivalents	20,297	23,276	3,621	15,382

Note 37 • Acquisition of business

On August 30, 2018, TagMaster acquired, through a newly formed company in France, all assets related to Hikob's sensor products, network systems and data collection platform, as well as relevant staff who are based in Grenoble (France).

Fair value of acquired assets and liabilities assumed

Intangible non-current assets	503
Goodwill from acquired assets	10,127
Property, plant, and equipment	1,029
Current assets	936
Current liabilities	-458
Total acquired assets	12,137

Since the date of acquisition, the SAS Hikob has contributed SEK 1,117 thousand in net revenue and SEK -2,090 thousand to operating profit.

Since the investment in SAS Hikob is long-term and strengthens the Group within a strategic field of technology, and because clear synergistic effects have been identified, a depreciation period of 5 years for goodwill from acquired assets was appropriate.

Note 39 • Appropriation of profits

(Amounts in SEK)

Proposed appropriation of the Company's profit

The following unappropriated profits are available to the AGM:

retained earnings	39,557,867
share premium reserve	60,978,522
net profit for the year	7,070,905
	107,607,294
The Board proposes that:	
this sum be carried forward	107,607,294
	107,607,294

Note 38 • Significant events after the end of the financial year

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

Declaration

Kista on March 22, 2019

Rolf Norberg
Chairman

Örjan Johansson

Magnus Jonsson

Gert Sviberg

Jonas Svensson
Chief Executive Officer

Our audit report was submitted on March 25, 2019

Mazars SET Revisionsbyrå AB

Anders Bergman
Authorized Public Accountant

Audit report

To the Annual General Meeting of TagMaster AB (publ) corporate ID number 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 2018 financial year. The Company's annual accounts and consolidated accounts are included on pages 27 – 53 of this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company and the Group as at December 31, 2018 and their financial performance and cash flow for the year then ended in accordance with the Swedish Annual Accounts Act. The statutory administration report (Directors' Report) is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and the balance sheet of the Parent Company and the Group.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further 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 opinion.

Other information than the annual accounts and the consolidated accounts

This document contains other information than the annual accounts and the consolidated accounts, which can be found on pages 1 – 26. The Board of Directors and the CEO are responsible for such information.

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. In 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 the assessment of 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.

Auditor's responsibility

Our objectives are 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 2018 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 opinion

We conducted our audit in accordance with generally accepted auditing practices 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 opinion.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions which may result

in a claim for compensation being brought against the Company, or that a proposal for appropriation of the Company's profit or loss is inconsistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted 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 on March 25, 2019
Mazars SET Revisionsbyrå AB

Anders Bergman
Authorized Public Accountant

Board of Directors



Rolf Norberg

Chairman

Born: 1949

Chairman and Board member since 2012

Shareholding: 2,602,857 shares

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

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



Örjan Johansson

Board member

Born: 1960

Board member since 2016

Shareholding: 0 shares

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

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



Magnus Jonsson

Board member

Born: 1966

Board member since 2012

Shareholding: 641,187 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: 5,459,292 shares

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

Chief Executive Officer
Born: 1962

Employee since: 2012

Shareholding: 5,459,292 shares 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

Employee since: 2005

Shareholding: 123,000 shares in TagMaster AB

Education: Master of Science in Engineering, Chalmers University of Technology, Gothenburg

Previously worked for: Ericsson and Optilion



Peter Gröntved

International Sales Director Traffic Solutions EMEA

Born: 1964

Employee since: 2015

Shareholding: 0 shares in TagMaster AB

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

Employee since: 2016

Shareholding: 324,000 shares in TagMaster AB

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

Employee since: 2003 (Magsys SA)

Shareholding: 0 shares

Education: Doctor of Engineering, University of Grenoble Alpes

Previously worked for: Schlumberger and Thomson CSF



Keith Mann

Operation Director UK

Born: 1955

Employee since: 2011 (CitySync Ltd)

Shareholding: 0 shares

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, the Middle East, and Africa

Infomobility

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

IoT

Internet of Things

IR camera

Infrared Camera

ITS

Intelligent Transportation Systems

NASP

National ANPR Standards for Policing

NRE

Non-Recurring Engineering

OCR

Optical Character Recognition

RFID

Radio Frequency Identification

UHF

Ultra High Frequency

DEFINITIONS

Asset turnover ratio

Net revenue for the year divided by average capital employed.

Earnings per share

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

EBITDA margin, %

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

Equity ratio, %

Equity in relation to the balance sheet total.

Market price

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

Operating margin, %

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

Operating profit before depreciation and amortization (EBITDA)

Operating profit excluding depreciation and amortization.

Return on equity, %

Profit after tax in relation to average equity.

ADDRESSES

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