

Year End Report 2018

Traffic sales had a good growth during this year

Fourth quarter

- Net sales decreased during the fourth quarter by 23,4% to 44,1 MSEK (57,6)
- Result before depreciation (EBITDA) amounts to 0,9 MSEK (7,8), corresponding to a margin of 2,0% (13,5)
- Net result after tax was -0,5 MSEK (7,6)
- Result per share was 0,00 (0,04)
- Cash flow from the business for the period was 6,1 MSEK (4,7)

January - December

- Net sales were at the same level as previous year 195,6 MSEK (195,4)
- Result before depreciation (EBITDA) was 12,7 MSEK (21,8), corresponding to a margin of 6,5% (11,2)
- Net result after tax was 3,4 MSEK (17,1)
- Result per share was 0,02 (0,09)
- Cash flow from the business for the period was 13,0 MSEK (20,5)
- No dividend is proposed

Subsequent to the end of the reporting period

- TagMaster has initiated the process to investigate the possibilities of expanding the ownership base with a number of larger investors. The purpose is to speed up the established growth strategy i.e to grow through acquisitions within technology to Smart Cities.

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced sensor systems and solutions based on radio & vision technology (RFID, Radar & ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync, Balogh, CA Traffic and Magsys with innovative mobility solutions in order to increase efficiency, security, convenience and to decrease environmental impact within Smart Cities. TagMaster has dedicated agencies in the US and in China and exports mainly to Europe, The Middle East, Asia and North America via a global network of partners and, systems integrators. TagMaster was founded in 1994 and has its headquarters in Stockholm. TagMaster is a public company and its shares are traded on First North stock exchange in Stockholm, Sweden. TagMasters certified advisor is Erik Penser Bank www.tagmaster.com

Comments by the CEO

The Traffic sales has developed well during the period with a 15% growth and with a 26% growth for the whole year. Our sales during the quarter has been lower than last year explained by the rail sales being lower than last year when a major part of Baloghs rail sales occurred during the fourth quarter (50% of year sales). The total negative “rail effect” during the quarter is estimated to 17 MSEK and to 22 MSEK for the full year, yet a gross profit on a good level at around 64%.

Earlier made personnel reductions show result in a significantly lower cost level (-5,5 MSEK) compared to the same period last year.

Our British businesses, CA Traffic and CitySync, have started to harvest from the ongoing integration, but they still have a way to go to reach our profit goals. CA Traffic has during the period shown a promising increase of profit. Cost reductions have been executed and we continue the work to strengthen our sales and marketing resources.

Our French businesses have during the period shown satisfactory sales and result. Balogh continues to show stable development and Magsys has taken several projects with CA Traffics management system for traffic and develops well. The French government has the ambition to increase investments in favor of bicycle traffic in the cities and Magsys and CA Traffic will together offer solutions and be part of this exciting market.

Our acquisition of Hikob strengthens our presence even further in the French market for smart cities and their IoT products are an important strategic complement both for parking solutions and for our traffic solutions. Sales of Hikob products for the French market have been transferred to Magsys and Hikob thereby becomes a focused development company. We see ahead of us Hikobs products being sold by CA Traffic in the UK, by TagMaster in the Nordics and that some of the Groups international sales channels could start selling Hikobs products during 2019.

In France we continue recruitment to strengthen our sales and marketing resources.

TagMaster has had a quarter in line with expectations with a number of rail orders. TagMaster has also finished development of its new UHF family (readers and antennas) for toll roads which should be ready for launch during Q1 2019. TagMaster has also worked with the launch of CA Traffic products as well as now also Hikob products in the Nordic market and medium term we expect good growth also in this market.

We have come a long way integrating our acquisitions and during the year much work and costs have been invested in building cost efficient units which should grow and generate profit in the future. We estimate this to give us a significantly higher result already during 2019.

Jonas Svensson

CEO

Comments to the result and balance sheet

Turnover and result

The quarter's sales are lower compared to same period previous year. Net sales for the fourth quarter was 44,1 MSEK (57,6), a decrease of 23,4%. The result (EBITDA) was 0,9 MSEK (7,8), an decrease by 88,5%, which corresponds to a margin of 2,0% (13,5). The decrease in sales is explained by the fact that rail sales were much lower than during the fourth quarter 2017, the negative comparable effect amounting to approximately SEK 17 million.

Overheads during the quarter amounted to SEK 27.5 million (33.1). TagMaster applies the cost accounting principle for development expenditure, ie no development costs are capitalized. The quarter's estimated tax includes tax revenues of SEK 3.9 million in accordance with tax rules in England and France and is based on R&D expenditure.

Cash flow and financial position

As per December 31, 2018 available liquidity was 32,3 MSEK (35,3) of which the revolving credit is 12,0 MSEK (12,0). Solidity at the end of the period was 63,1% (51,8). Cash flow from the running business for the quarter was 6,1 MSEK (4,7).

Accounts receivable were 32,1 MSEK (46,3) and supplier debts were 12,8 MSEK (18,7). The inventories were 37,0 MSEK (40,2), all as per December 31, 2018. The inventory levels are on the way down and our ambition is that the inventories will be at even lower levels during 2019.

In the comparative figures for 2017, an item of 3,4 MSEK has been reclassified from provisions to accrued expenses. Personnel related restructuring items amounting to 3,4 MSEK have been regulated according to plan during the year.

The preliminary purchase price allocation that was prepared in connection with the acquisition of Magsys SA, in December 2017, included a conditional additional purchase price of 4,7 MSEK. Since it is not likely that the final additional purchase price will amount to the maximum amount the purchase price allocation has been recalculated. The recalculation has decreased other provisions and Goodwill by 2,7 and 2,8 MSEK, respectively.

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 79 (92). The activities to streamline our organization continue and will lead to further staff reductions. However, we are investing in our sales organization which will outweigh any reductions.

Business during the quarter

Traffic Solutions

We have during the period integrated Hikob and moved its sales for France to Magsys while development is managed from Sweden, which is the same structure we have for other companies in the Group. The acquisition of Hikob gives us another important piece to the puzzle in our work to offer sensor solutions based on several different technologies and thereby also be a more complete partner for our customers. With several sensor products like RFID, Radar, Camera, and now also magnetic detection, we will in the future be able to build solutions around our product offerings.

As we have already said earlier we have divided our product offerings into four subgroups showing better how our companies work together. We have **Infomobility/Traffic management** consisting of Magsys and CA Traffic's traffic products and now also Hikob products, we have **ANPR** composed of CitySync and CA Traffic ANPR products and who are now merged, and we also have **RFID Traffic** and **RFID Rail** consisting of TagMaster and Balogh. Our total competence in RFID, Radar, ANPR and traffic monitoring products (Infomobility/Traffic management) differentiate us in a unique way. With the above offering, and with our focus on advanced sensor systems for real time information, we will become a more attractive partner for the system integrators building the smart cities of the future.

CitySync continues to work towards the parking market but has also during the quarter started selling an ANPR solution (CS50T) for the traffic market. CS50T is a camera for bigger roads and with several advance functions like classification of vehicles and among other functions to measure speed and where the police and smart city projects are the target groups. Our core competence within algorithm development and in neural networks (AI) is used frequently in the development of ANPR solutions. TagMaster has also started cooperation regarding the ANPR development of the future where the ambition is to explore the significant experience regarding embedded software, hardware and Linux architecture within TagMaster.

CA Traffic has during the quarter continued tests of its new CityRadar family which will be used in smart cities to detect pedestrians, bikers and vehicles in the same system. With this product family CA Traffic together with Magsys will offer a complete bike monitor solution with hardware, software and reporting system.

We have continued to build our trade mark through participation in several fairs in our focus markets. During the period we participated in Asis (GSX) in Las Vegas and at ITS World Congress in Copenhagen.

Rail Solutions

We have during the quarter had ongoing serial deliveries to Rail customers and we have also received new orders for 2019 and 2020. Balogh has in small scale delivered its new SIL4 product platform and this will continue during the first half of 2019. We estimate that our customers' product portfolio will increase some even if some decisions have been delayed and moved into 2019. We are, however, still confident that that some of these bigger projects will come to us but there is some uncertainty regarding when. We have during the period continued the work to concentrate our RFID

radio competence to Baloghs development department in Toulouse and from 2019 all new development for rail take place in France.

We are still active building our brand through participation in several fairs in our focus markets. During the period we participated among other at Gulf Traffic in Dubai.

Future outlook

The future outlook is unchanged, and the company has good growth opportunities in Traffic Solutions as well as in Rail Solutions. Our market shares are still small in a big and growing market, which means that future growth mainly depends on the company's own ability. Our companies will, however, see periods ahead of us when the sales and results development will stop momentarily as we invest in future growth, which means costs may come before revenue. We will also see variations between quarterly volumes since our Rail business is volatile and product deliveries may vary between quarters. We will also see variations between quarters due to our acquisitions requiring changes of different amplitude, which could also take longer than planned. To meet the demand and to aspire to the position of market leading supplier of advanced sensor solutions for traffic and rail solutions we will continue to develop and launch new innovative products, develop and expand its partner networks and recruit further competent personnel. TagMaster will continue the work to find more opportunities to acquire selective businesses in adjacent technology areas with the purpose of increasing our offering and becoming a more attractive supplier of information which is a prerequisite to building the smart cities of the future.

Reporting dates

Tagmaster will report on the following dates during the 2019 and 2020 fiscal years:

Publishing of Annual Report	April 3
Interim report, January – March:	April 25
Annual General Meeting 2019	April 25
Interim report, January – June:	July 12
Interim report, January – September	October 24
Year End Report 2019	January 30

This as well as previous financial reports could be found at the company homepage www.tagmaster.com

For further information, please contact

Jonas Svensson, CEO, +46 8-6321950, jonas.svensson@tagmaster.com

This information is information that TagMaster AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 a.m. CET on January 24, 2019.

Consolidated income statement

KSEK	Q4		Full year	
	2018	2017	2018	2017
Net revenue	44 053	57 561	195 561	195 394
Change in inventories of product in progress and finished goods	469	1 519	-780	2 630
Other operating income	5	1 178	1 215	567
Total operating income	44 527	60 258	195 996	198 591
Goods for resale	-16 030	-18 878	-72 093	-69 355
Other external costs	-9 911	-10 007	-41 864	-38 913
Personnel costs	-17 622	-23 052	-68 989	-67 797
Other operating expenses	-71	-559	-318	-706
Operating profit before depreciation and amortization (EBITDA)	893	7 762	12 732	21 820
Depreciation	-327	-180	-880	-582
Goodwill amortization	-3 322	-2 568	-11 077	-6 645
Operating profit after depreciation and amortization (EBIT)	-2 756	5 014	775	14 593
Financial items	-143	27	-356	-432
Profit after financial items	-2 899	5 041	419	14 161
Tax	2 436	2 582	2 945	2 909
Net profit	-463	7 623	3 364	17 070

Key ratios

	Q4		Full year	
	2018	2017	2018	2017
Net sales growth, %	-23,5	43,7	0,1	71,6
EBITDA-margin, %	2,0	13,5	6,5	11,2
Equity ratio, %	63,1	51,8	0,0	51,8
Earnings per share before dilution, SEK	0,00	0,04	0,02	0,09
Earnings per share after dilution, SEK	0,00	0,04	0,02	0,09
Number of shares, average, thousand	201 389	201 389	201 389	187 320
Number of shares, end of the period, thousand	201 389	201 389	201 389	201 389
Market price on closing day, SEK	1,15	1,65		
Number of employees at end of period	79	92		

Consolidated balance sheet

KSEK	31 Dec	
	2018	2017
ASSETS		
Subscribed capital unpaid ¹	2 806	
Intangible assets	51 400	53 286
Tangible assets	3 008	1 425
Financial assets	7 259	9 135
Inventories	37 037	40 210
Trade receivables	32 079	46 267
Other receivables	13 172	13 259
Cash and cash equivalents	20 297	23 276
TOTAL ASSETS	167 058	186 858
EQUITY AND LIABILITIES		
Equity	105 331	96 731
Provisions	6 707	14 157
Long term liabilities to credit institutions	3 500	5 598
Other long term liabilities	9 525	10 766
Short term liabilities to credit institutions	2 000	2 000
Trade payables	12 826	18 736
Other current liabilities	27 169	38 870
TOTAL EQUITY AND LIABILITIES	167 058	186 858

Changes in consolidated equity

KSEK	31 Dec	
	2018	2017
Opening balance	96 731	45 707
New share issue ¹	2 806	34 589
Warrant payment	-	-20
Transaction difference	2 430	-615
Net result	3 364	17 070
TOTAL EQUITY	105 331	96 731

¹warrant program 2015/2018 ending December 31st 2018 totaling 2 483 292 shares, payments and registration are expected during January

Consolidates cash flow analysis

KSEK	Q4		Full year	
	2018	2017	2018	2017
Cash flow from operating activities before change in working capital	-6 378	20 058	4 119	38 403
Change in working capital	12 452	-15 345	8 885	-17 865
Cash flow from operating activities	6 074	4 713	13 004	20 538
Cash flow from investing activities	-1 543	-8 342	-13 691 ²	-40 132
Cash flow from financing activities	-500	-500	-2 516	32 911
Cash flow	4 031	-4 129	-3 203	13 317
Cash and cash equivalents at beginning of period	16 388	27 272	23 276	9 903
Effect of exchange differences	-122	133	224	56
Cash and cash equivalents at end of period	20 297	23 276	20 297	23 276

Parent company income statement

KSEK	Full year	
	2018	2017
Net revenue	73 891	90 413
Other operating income	826	0
Total operating income	74 717	90 413
Goods for resale	-25 075	-33 587
Other external costs	-16 756	-20 116
Personnel costs	-24 150	-22 436
Other operating expenses	-14	-188
Operating profit (EBITDA)	8 722	14 086
Financial items	-419	-263
Profit after financial items	8 303	13 823
Appropriations	0	0
Tax	-1 232	-3 316
Net profit	7 071	10 507

²Aprox. 12 000 KSEK are related to the purchase of Hikob during Q3 2018

Parent company balance sheet

KSEK	31 Dec	
	2018	2017
ASSETS		
Subscribed capital unpaid	2 806	
Shares in subsidiaries	86 115	88 930
Long-term receivables from group companies	22 788	9 288
Deferred tax asset	1 402	2 634
Inventories	10 200	13 053
Trade receivables	8 365	8 063
Current receivables from group companies	908	1 976
Other receivables	3 300	3 475
Cash and cash equivalents	3 621	15 382
TOTAL ASSETS	139 505	142 801
EQUITY AND LIABILITIES		
Equity	118 017	108 142
Provisions	3 736	7 819
Liabilities to credit institutions	5 500	7 500
Trade payables	4 174	7 485
Other current liabilities	8 078	11 855
TOTAL EQUITY AND LIABILITIES	139 505	142 801

Other

Accounting principles

For interim reports BFNAR 2012:1 (K3) is applied. This is described more extensively in the Annual report 2017.

Operational and financial risks

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2017 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on January 24 2019 at 08.30 CET.

Declaration

The Board of Directors and the CEO provide their assurance that the interim report gives a true and fair view of the Parent Company's and the Group's operations, positions and results and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Kista January 24, 2019

Rolf Norberg
Chairman

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson
CEO