TagMaster
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INTERIM REPORT 2020
JANUARY-SEPTEMBER

TagMaster delivers good margins in a quarter characterized by recovery

Third quarter 2020

- Net sales decreased during the third quarter by 13,9% to 71,0 MSEK (82,4)
- Adjusted EBITDA decreased during the third quarter by 30,3% to 8,6 MSEK (12,4), corresponding to an adjusted EBITDA margin by 12,2% (15,0)
- Operating profit was 2,7 MSEK (1,2) which correspond to an operating margin of 3,9% (1,4)
- Profit for the period was 3,8 MSEK (-5,6)
- Result per share was 0,01 (-0,02)
- Cash flow from operating activities for the period was 8,9 MSEK (-4,4)

January - September

- Net sales increased during the nine-month period by 21,9% to 219,0 MSEK (179,4)
- Adjusted EBITDA increased during the period by 0,2% to 21,9 MSEK (21,8), corresponding to an adjusted EBITDA margin by 10,0% (12,2)
- Operating loss was -13,6 MSEK (0,0) which correspond to an operating margin of -6,2% (-0,0)
- Net loss for the period was -17,8 MSEK (-5,7)
- Result per share was -0,05 (-0,02)
- Cash flow from operating activities for the period was 16,9 MSEK (-1,4)
- The Covid-19 pandemic has had a negative impact on turnover from mid-March and measures have been taken for all parts of the business to mitigate the effects of the corona virus.
- As of January 1, 2020, TagMaster has changed accounting principles from BFNAR 2012: 1 (K3) to IFRS. The effects of the transition are shown in Note 6.
- As a long-term activity during the period a companywide efficiency program was initiated for the European part of the business. These long-term actions have led to onetime costs of around 9 MSEK during the second quarter of which most of it impacts the cash flow. The program is expected to result in a yearly cost saving of around 10 MSEK from the end of quarter 3 2020.

Amounts in TSEK	2020 July-Sept	2019 July-Sept	2020 Jan-Sept	2019 Jan-Sept	R12M Oct-Sept	2019 Full Year
Net sales	70 970	82 417	218 665	179 423	302 197	262 955
Net sales growth, %	-13,9	88,1	21,9	18,4	35,2	34,5
Gross margin, %	66,0	64,8	65,0	65,0	66,4	66,6
Adjusted EBITDA	8 643	12 401	21 859	21 809	36 110	36 051
Adjusted EBITDA margin, %	12,2	15,0	10,0	12,2	11,9	13,7
Equity ratio, %	56,3	56,2				56,4
Cash flow from operating activities, MSEK	8,9	-4,4	17,0	-1,4	22,2	3,9
Net debt/EBITDA, R12M					0,1	1,1
Number of employees at end of period	99	115				

For description and reconciliation of key figures, see pages 37-38

About TagMaster
TagMaster is an application oriented technical company developing and selling advanced sensor systems and solutions based on radio, radar, magnetic and camera technologies for demanding environments. TagMaster works in two segments - Segment Europe and Segment USA – with the trademarks TagMaster and Sensys Networks – with innovative mobility solutions for increased efficiency, security, safety, comfort and to reduce environmental impact in Smart Cities. TagMaster has daughter companies in England, France, US and Sweden and exports mostly to Europe, The Middle East, Asia and North America through a global network of partners and system integrators. TagMaster was founded in 1994 and has its head office in Stockholm. TagMaster is a listed company and the share is traded at Nasdaq First North Growth Market in Stockholm. TagMasters certified adviser (CA) is FNCA, telephone +46852800399, E-mail: info@fnca.se www.tagmaster.com

Comments by the CEO

After a very challenging second quarter the third quarter was characterized by stabilization and a careful, gradual recovery for the greater part of our businesses. The strong margins we delivered during the quarter is a sign of resilience and our measures to increase the companies' flexibility, focus and growth orientation make me believe in continued good development. During the quarter, we also increased our investments in solutions that contribute to the necessary transition to a more sustainable transport system.

During the pandemic we have continued to focus the health and safety of our employees and to provide the best service for our customers. All short term layoffs have returned to full time work during the quarter.

The group wide efficiency program announced in the second quarter with structural changes, such as reallocation of resources to new business opportunities and optimization of offices and reduction of staff to adjust the business to a more permanent change in the future sales has gone well and. Our judgement is that the cost savings are somewhat higher than first expected. The changes made are an important step to become more flexible, focused and growth oriented.

We continue to invest in our technology leadership to further increase the competitiveness. Our focus is increasingly on solutions that can contribute to a more sustainable transport system.

An example of this is solutions to handle an increased presence of bicycles in cities. We have in the US during the quarter received two awards for our self-developed GiveMeGreen!, a mobile app that gives cyclists priority in traffic lights based on Sensys Network's wireless sensor technology combined with a cloud solution.

Another example is a sensor-based solution for charging stations for electric vehicles, enabling cities and regions to inform drivers about which charging stations are available and where they are located. The solution was launched in France during the quarter.

The total turnover for the Group during the third quarter was 71 MSEK, a decrease of 14% compared to the corresponding quarter 2019. The decrease is explained by our Rail Solutions business, which has decreased due to delayed projects. Our Traffic Solutions business was during the quarter 64 MSEK, which is equal to the sales during the third quarter 2019. Our Traffic Solutions business thereby was 90% of our business while the Rail Solutions business was only 10%.

The quarter shows a strong gross margin of 66% and with an adjusted EBITDA result of 8,6 MSEK corresponding to an adjusted EBITDA margin of 12,2 %. The cash flow from the business was positive with +8,9 MSEK and solidity is good with 56,3%. Our work to reduce working capital has been successful and our stock has decreased with 20 % compared to the corresponding quarter 2019.

TagMaster is today well positioned on a market with long term good prerequisites for growth and good profits. To work daily to improve the traffic environment in cities and urban areas around the world provide us with lots of energy to continue to work hard and targeted also in difficult times like these. The fact that during the pandemic we have succeeded in increasing our flexibility, focus and growth orientation makes it look good for the future.

Jonas Svensson

CEO

TagMaster in brief

TagMaster develops and delivers solutions for Smart Cities based on advanced sensor technology. These solutions aim to improve traffic flow, reduce emissions, and optimize transport operations, on both road and rail.

Vision

We will be the most innovative provider of mobility solutions to Smart Cities.

Mission

We will deliver reliable and easy-to-use detection and identification solutions for demanding environments with useful and accurate information.

Business model

By combining the various technologies the Group operates with, TagMasters aim is to offer better solutions to increase the efficiency, safety, convenience, and to reduce environmental impact within Smart Cities. The technologies are offered as a package with software to create smart technologies and "one-stop-shop solutions". TagMaster takes long-term responsibility for the products and solutions provided, which creates value and stability for Tagmasters customers and profitability for TagMaster.

Financial Targets

Growth: 20% total growth (organic and acquired)

EBITDA: 12%

Cashflow/EBITDA: > 90% (over a period)

Strategic priorities

- Commercial strength - drive growth through excel sales performance and commercial digitization
- Customer-driven innovation – make investments required for leadership within selected technologies, enhanced customer value and lower production costs
- Constant operational improvements – ensure an efficient and flexible supply chain, further strengthen TagMaster's quality position and continue improvements to reduce costs
- Expanded product offering – continuously move up in the value chain, from not merely offering products to offering broader systems and solutions for the customer and extending our offering through M&A

Auditor's review

This report has not been reviewed by the company auditor.

Reporting

During the business year 2021 TagMaster will report at the following dates:
Year-end report January 28, 2021

This report and previous reports and press releases are found at the company home page www.tagmaster.com

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This information is information that TagMaster AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 a.m. CET on October 22, 2020.

Consolidated net sales and earnings

July 1 - September 30, 2020

Net sales

Net sales for the third quarter amounted to 71,0 (82,4) MSEK, which is a decrease of 13,9 percent compared to the corresponding quarter previous year. The decrease is mainly explained by decreasing sales for the European entities due to the ongoing pandemic. Rail solutions business sales have decreased by 60,2% compared to the corresponding quarter previous year.

Operating profit

Operating profit for the quarter was 2,8 (1,2) MSEK, which is an increase of 1,6 MSEK compared to the corresponding quarter previous year. The increase is mainly explained by improved gross margin and lower cost levels throughout the group.

Adjusted EBITDA decreased during the third quarter by 30,3% to 8,6 MSEK (12,4), corresponding to an adjusted EBITDA margin by 12,2% (15,0).

Financial items

Financial items for the quarter amounted to 0,2 (-4,2) MSEK. Financial expenses charged to the quarter are interest expenses on liabilities to credit institutions of -0,6 MSEK. Revaluations of these liabilities have had a positive effect on the financial net of 1,9 MSEK. Other financial expenses that have been charged to the quarter mainly consists of revaluations of loans to foreign subsidiaries at the amount of -0,8 MSEK.

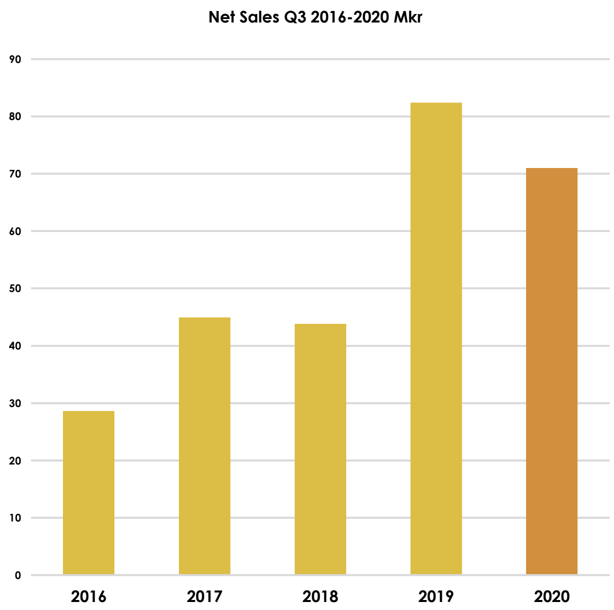
The Group's interest rate swap has been revalued at fair value, which had minor impact on the financial net.

Tax

Group's tax amounted to 357 (-2 488) TSEK. The tax expense for the quarter is attributable to changes in temporary differences.

Profit for the period

Profit for the period amounted to 3,3 (-5,6) MSEK. Earnings per share before and after dilution amounted to 0,01 (-0,02) SEK.



Consolidated net sales and earnings

January 1 - September 30, 2020

Net sales

Net sales for nine-month period amounted to 218,7 (179,4) MSEK, which is an increase of 21,9 percent compared to the corresponding period previous year. The increase is mainly related to additional sales from the US operation, Sensys Networks Inc, that was acquired during the second quarter 2019. Sales for the Rail solution business have been negatively affected by the ongoing pandemic and have decreased by 31,4% compared to the corresponding period previous year.

Operating loss

Operating loss for the nine-month period was -13,6 (-0,0) MSEK, which is a decrease of 13,6 MSEK compared to the corresponding period previous year. The decrease is explained by acquisition-related personnel costs attributable to the acquisition of Sensys Network Inc and one-time costs related to the efficiency program implemented during the second quarter.

Adjusted EBITDA is at the same level as for the corresponding period previous year, 21,9 (21,8) MSEK, representing a margin of 10,0% (12,2).

Financial items

Financial items for the nine-month period amounted to -4,4 (-3,6) MSEK. Financial expenses charged to period are interest expenses on liabilities to credit institutions of -1,9 MSEK. Revaluations of these liabilities have had a positive effect on the financial net of 1,7 TSEK. Other financial expenses that have been charged to the period mainly consists of revaluations of loans to foreign subsidiaries at the amount of -2,3 MSEK.

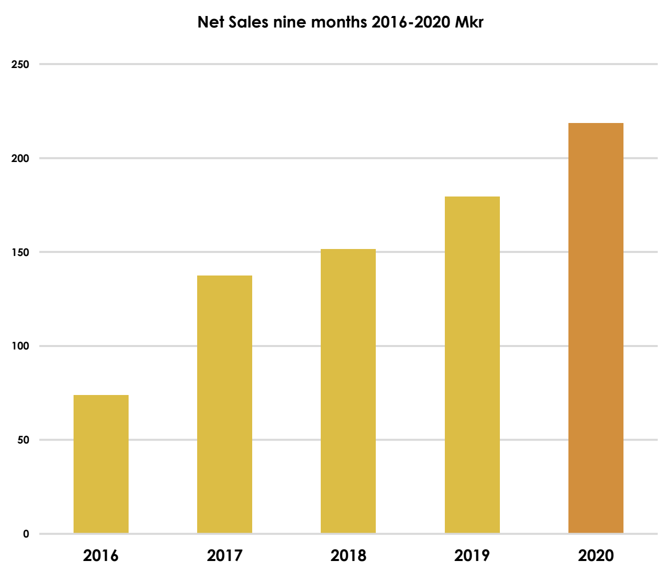
The Group's interest rate swap has been revalued at fair value, which had an impact on the financial net for the period of -0,9 MSEK.

Tax

Group's tax amounted to 192 (-2 073) TSEK. The tax expense for the quarter is attributable to changes in temporary differences.

Profit for the period

Profit for the period amounted to -17,8 (-5,7) MSEK. Earnings per share before and after dilution amounted to -0,05 (-0,02) SEK.



Segment TagMaster Europe

TagMaster develops and delivers solutions aimed at improving and streamlining transport and traffic flows. These include smart parking solutions and intelligent transport systems that allow the road networks to be used optimally, alleviate traffic problems and reduce emissions. Other solutions include tolls and security and access control systems. TagMaster is also a world leading provider of advanced mobility solutions for rail bound traffic in metropolitan areas.

The business is conducted in the parent company and in wholly owned subsidiaries in France and UK. Development is centralized and managed by the European CTO. The CFO function is centralized with local accounting functions. Sales and marketing is managed by a centralized sales director and centralized a marketing director.

Business during the quarter

Sales in segment Europe during the third quarter amounted to 32,9 MSEK, which is around 29% below the third quarter 2019. The decrease is mainly explained by Rail Solutions business, which has decreased due to delayed projects. The Traffic Solutions business decreased by 10 % compared to the third quarter 2019. Gross margin was 59,5% during the third quarter.

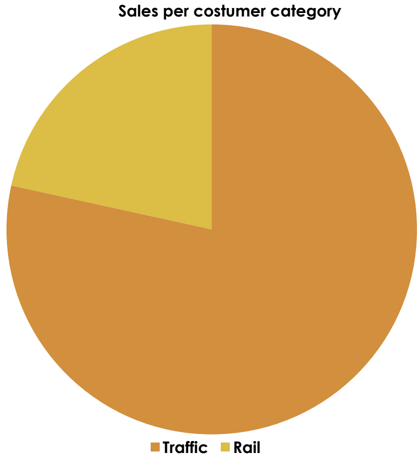
Adjusted EBITDA amounted to -0,3 MSEK for the third quarter corresponding to an EBITDA margin of -0,8%.

The Traffic Solutions business amounted to 78% of total sales, while Rail Solutions amounted to 22%.

A gradual recovery from the significant downturn in the market during the second quarter was noted during the third quarter. The recovery has been quite slow and it is not until the last month of the quarter that an increased speed of the recovery has been noted. Both TagMaster UK and TagMaster Nordic show a positive adjusted EBITDA result during the quarter and with good gross margins. TagMaster France has had a more hesitant restart, mostly within Rail Solutions and therefore shows a negative EBITDA result for the quarter.

The group wide efficiency program announced in the second quarter with structural changes, such as reallocation of resources to new business opportunities and optimization of offices and reduction of staff to adjust the business to a more permanent change in the future sales has gone well and the group's judgement is that the cost savings are somewhat higher than first expected. The changes made are an important step to become more flexible, focused and growth oriented.

During the quarter TagMaster France launched a sensor solution to be used together with charging stations for electric vehicles. TagMaster's system detects free charging stations and sends the information to drivers of electric vehicles through traffic information systems or via an APP. The investment in infrastructure for charging stations is an important part of the ongoing transformation of the transport sector. In the support package (the so called Corona package) decided by the EU at the end of July there is also an investment in the transformation of the transport sector, where among other EU funds should be part of financing one million new charging stations for electrical vehicles. In France there is a target to have 100,000 charging stations at the end of 2021.



Amounts in TSEK	2020 July-Sept	2019 July-Sept	Change, %
Net Sales	32 917	46 657	-29,4
Gross profit	19 717	29 297	-32,7
Gross marginl, %	59,9	62,8	-
Adjusted EBITDA	-259	5 703	-
Adjusted EBITDA margin, %	-0,8	12,2	-
Number of employees at end of period	64	80	-20,0

The effects of accounting for leases under IFRS 16 and capitalization of development expenditure in accordance with IAS 38 are not included in the table above.

Segment TagMaster USA

Sensys Networks develops and delivers advanced wireless radar and magnetic sensors as well as well as a cloud-based software platform known as SNAPS used for analyses of traffic data using embedded AI technology and for monitoring of the sensors and local edge gateways. Sensys Networks offer an "end-to-end solution" that is primarily designed for controlling and optimizing traffic lights, bit it is also well suited for road and motorway monitoring, as well as for parking solutions. Sensys Networks is considered a world leader in above solutions.

The business is conducted in the wholly owned subsidiary Sensys Networks with office in Berkeley, California. The operation is managed by the local president reporting to the group CEO. Sensys Networks have a local CTO managing development and operation, a local VP finance and a local VP sales and marketing, all reporting to the local president.

Business during the quarter

Sales in the segment USA amounted during the third quarter to 38,0 MSEK and gross margin amounted during the quarter to 71,3%.

Adjusted EBITDA was for the second quarter 7,9 MSEK corresponding to an adjusted EBITDA margin of 20,8%.

For segment USA the Traffic Solutions business is 100% of business.

During the quarter Sensys Networks US have received awards for their GiveMeGreen! solution – a mobile APP making it possible to detect cyclists approaching a crossroad. Sensys Networks has received one of the rewards together with the city Santa Clarita in California. Santa Clarita is s city with many runners, hikers and cyclists and GiveMeGreen! combined with an existing intelligent cross roads system also from Sensys Networks is a good example how smart technology could increase safety, reduce traffic problems and improve travelling experience for a new category of connected road users. Sensys Networks has also received orders for implementation of the GiveMeGreen! application for nine cross roads in Fort Wayne, Indiana.

The interest for GiveMeGreen! is wholly in line with the development we see today where bicycle traffic receives same status in traffic flows as other vehicles and where dynamic wireless sensors are used to detect cyclists and pedestrians to warn the vehicle drivers for the presence of unprotected road users nearby.

Sensys Networks have also during the quarter received an order for making the traffic control system of Berlin, the capital of Germany, more efficient. The order is for installation of wireless sensors at a number of large crossroads in the city for detection of various road users and control of traffic lights. With a dense network of trams and bicycle tracks, it is for safety reasons critical to be able to detect different types of traffic for the intelligent traffic solution of the city should work.

Amounts in TSEK	2020 July-Sept	2019 July-Sept	Change, %
Net Sales	38 053	35 760	6,4
Gross profit	27 101	24 138	12,3
Gross margin, %	71,3	67,5	-
Adjusted EBITDA	7 920	3 659	116,4
Adjusted EBITDA margin, %	20,8	10,2	-
Number of employees at end of period	35	35	0,0

The effects of accounting for leases under IFRS 16 and capitalization of development expenditure in accordance with IAS 38 are not included in the table above.

Consolidated balance sheet and cash flow

Liquidity and cash flow

The Group's available liquidity amounted to 87,8 (81,6) MSEK, of which overdraft facilities amounts to 39,0 (41,1) MSEK. The Group's overdraft credit of 39,0 MSEK,12 MSEK and 3,0 MUSD, was unutilized by 39,0 MSEK as of September 30, 2020.

At the end of the period cash and cash equivalents amounted to 48,8 (43,9) MSEK.

Cash flow July 1 – September 30, 2020

Cash flow from operating profit activities for the third quarter amounted to 8,9 (-4,4) MSEK.

Cash flow from investing activities amounted to -0,2 (-1,7) MSEK and consists of investment in tangible assets.

Cash flow from financing activities amounted to -9,4 (1,3) MSEK and is related to change in bank overdraft facilities of -5,9 MSEK, amortization of bank loan of -2,8 MSEK and amortization of lease liabilities of -0,7 MSEK.

Cash flow for the period amounted to -9,4 (1,3) MSEK.

Cash flow January 1 – September 30, 2020

Cash flow from operating profit activities for the nine-month period year amounted to 16,9 (-1,4) MSEK.

Cash flow from investing activities amounted to -1,7 (-142,2) MSEK consists of capitalized development expenditure at the amount of -3,2 MSEK and 2,0 MSEK received in connection with the final settlement of the acquisition of Sensys Networks Inc. Investments in tangible assets amount -0,5 (-0,5) MSEK.

Cash flow from financing activities amounted to -6,2 (166,2) MSEK and is related to change in bank overdraft facilities of -6,5 MSEK, amortization of bank loan of -2,8 MSEK and amortization of lease liabilities of -4,6 MSEK. The item also includes a support loan of 7,7 MSEK (820 TUSD) from the US government raised by the Group's US subsidiary. The loan may be waived if certain criteria regarding how the fund have been used are met.

Cash flow for the period amounted to 9,0 (22,6) MSEK.

Investments

During the third quarter investments in tangible and intangible fixed assets have been made by 0,3 (1,8) MSEK, of which capitalized development expenditure amounts to 0 (1,8) MSEK.

Goodwill and other intangible assets

The Group's carrying amount of goodwill on September 30 was 91,3 (99,5) MSEK. Other intangible assets amounted to 83,7 (101,2) MSEK and relate to capitalized development expenditure of 33,7 (38,3) MSEK and customer relations of 43,7 (56,0) MSEK and trademark of 6,3 (6,9) MSEK. The recalculation of the purchase price allocation that was made since a reduction in the purchase price attributable to the shares in Sensys Networks Inc was received during the second quarter has decrease goodwill by 2,0 MSEK (199,8 TUSD).

Right-of-use assets and lease liabilities

The reported value of right-of-use assets (lease agreements for premises) amounted to 6,2 (24,9) MSEK. Corresponding leasing liabilities amounted to 4,8 (25,1) MSEK. The changes compared to the corresponding period previous year are mainly explained by the fact that the lease in Berkeley, as part of the cost savings program, has been renegotiated. The lease run until July 31, 2021 without any option to extend the lease and has thus been reported as a short-term lease agreement, which means that no right-of-use and corresponding lease liability have been reported as of September 30, 2020. The cost of short-term leases for the third quarter amounts to 710 TSEK.

Other long-term liabilities

Other long-term liabilities amounted to 22,9 (16,2) MSEK. The increase is related to a support loan of 7,7 MSEK (820 TUSD) from the US government raised by the Group's US subsidiary. The loan may be waived if certain criteria regarding how the fund have been used are met.

Equity

Equity as of end of September 30, 2020 amounted to 194,5 (228,3) MSEK, corresponding to 0,53 (0,62) SEK per outstanding share. There were no outstanding stock options or convertible programs on September 30, 2020.

Financial position

The equity ratio amounted to 56,3 (56,2) percent on September 30, 2020 and equity to 194,5 (228,3) MSEK. Total assets on September 30, 2020 amounted to 345,5 (406,4) MSEK.

Personnel

At the end of the period, the number of employees was 99 (115), of which employees of Sensys Network Inc amount to 35.

Parent Company

The operations of the parent company TagMaster AB are consistent with the operations of the group as a whole. Net sales for the nine-month period amounted to 48,3 (56,6) MSEK, of which invoicing of intra-Group services amounted to 0,9 (1,0) MSEK. As of September 30, available liquidity amounted to 43,7 (45,4) MSEK, of which the overdraft credit amounts to 39,0 (41,1) MSEK. No significant investments have been made in intangible or tangible fixed assets.

Significant risks and uncertainties

The TagMaster Group's significant risks and uncertainties are described in the annual report for 2019 under the section "Risks and risk management" on pages 33 - 34. No significant changes have occurred since then.

Effects of Covid-19

Covid-19 influenced both segments in different degree during the quarter. The recovery is expected to be gradual due to the lower activity in part of TagMaster's business. In spite of signs that the market is gradually stabilized, there is still a major future uncertainty. TagMaster continuously identifies risks related to the Covid-19 pandemic and actions are taken at all times to limit the effects. The Group has a high preparedness with continued focus on employees, customers and partners, with both health and safety as first priority, and keep a strict focus on cost control and cash flow.

Future outlook

The present global uncertainty requires a humble attitude when predicting the future. Furthermore it is important to consider that a downturn in the general economy will lead certain customer groups to delay their investment programs.

The board and Group management are still positive to the future longer term and with the acquisition of Sensys Networks even more positive. With a bigger volume and a wider offering including also solutions within important growth areas the company has good growth potential.

TagMaster's growth strategy is based on organic growth and growth through acquisitions in existing and in adjacent technology areas with the purpose to increase the product and the solution offerings and market presence. The target is to be a more attractive supplier of real time information, which is a basic prerequisite for building the Smart Cities of the future.

Declaration

The Board of Directors and the President provide their assurance that this interim report provides a fair and accurate view of the Group's and the Parent Company's operations, financial position and earnings, and describes the material risks and uncertainties faced by the Parent Company and other companies in the Group.

Summary consolidated income statement

Amounts in TSEK	2020 July-Sept	2019 July-Sept	2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
Net sales	70 970	82 417	218 665	179 423	262 955
Other revenue	1 258	905	4 041	2 308	2 216
Change in inventories during manufacture and finished goods	-154	-87	-602	-592	-2 319
Capitalised work for own account	0	1 676	3 232	3 837	6 518
Goods for resale, raw materials and consumables	-23 998	-28 895	-75 902	-62 266	-85 637
Other external expenses	-9 549	-12 961	-37 726	-34 309	-46 142
Personnel expenses	-29 816	-34 693	-107 035	-75 215	-114 482
Depreciation of property, plant and equipment and amortisation of intangible assets	-5 893	-6 940	-17 829	-12 566	-19 747
Other operating expenses	-68	-233	-448	-647	-677
Operating profit/loss	**2 750**	**1 189**	**-13 604**	**-27**	**2 685**
Financial net	236	-4 258	-4 355	-3 572	-2 694
Profit/loss before tax	**2 986**	**-3 069**	**-17 958**	**-3 599**	**-9**
Tax	357	-2 488	192	-2 073	-6 790
Profit for the period	**3 343**	**-5 557**	**-17 766**	**-5 672**	**-6 799**
Net income attributable to:					
Shareholders in the Parent Company	3 343	-5 557	-17 766	-5 672	-6 799
Earnings per share, SEK					
Basic earnings per share	0,01	-0,02	-0,05	-0,02	-0,02
Diluted earnings per share	0,01	-0,02	-0,05	-0,02	-0,02

Other comprehensive income

Profit for the period	**3 343**	**-5 557**	**-17 766**	**-5 672**	**-6 799**
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Exchange differences when translating foreign operations	-5 517	11 035	-5 663	9 297	218
Items not to be reclassified to the income statement					
Remeasurement of the net pension obligation	0	0	0	0	-241
Tax on the above	0	0	0	0	60
Comprehensive income for the period	**-2 174**	**5 478**	**-23 429**	**3 625**	**-6 762**
Comprehensive income attributable to:					
Shareholders in the Parent Company	-2 174	5 478	-23 429	3 625	-6 762

Summary consolidated statement of financial position

Amounts in TSEK	2020-09-30	2019-09-30	2019-12-31	2019-01-01
ASSETS				
Subscribed but not paid-up capital				**2 806**
Non-current assets				
Intangible assets	174 952	200 710	191 175	55 427
Property, plant, and equipment	2 812	3 264	3 310	3 008
Right-of-use assets	6 186	24 908	22 175	13 005
Other non-current receivables	1 480	1 634	1 604	1 141
Deferred tax assets	6 825	10 323	6 627	6 930
	192 255	**240 839**	**224 891**	**79 511**
Current assets				
Inventories	42 009	53 734	53 386	37 037
Trade receivables	49 741	56 532	56 654	32 079
Other receivables	12 714	11 398	10 219	13 172
Cash and cash equivalents	48 754	43 914	41 293	20 297
	153 217	**165 578**	**161 552**	**102 585**
TOTAL ASSETS	**345 472**	**406 417**	**386 443**	**184 902**
SHAREHOLDERS' EQUITY				
Share capital	18 309	18 309	18 309	10 069
New share issue in progress	-	-	-	124
Other contributed capital	241 459	241 459	241 459	130 982
Translation reserve	-7 544	7 198	-1 881	-2 099
Retained earnings including profit for the period	-57 703	-38 629	-39 937	-32 957
	194 520	**228 337**	**217 950**	**106 119**
Non-current liabilities				
Liabilities to credit institutions	34 365	43 507	38 305	3 500
Deferred tax liabilities	3 029	1 509	2 949	1 199
Other provisions	12 849	10 947	9 756	7 132
Additional purchase consideration	-	-	-	1 985
Lease liabilities	2 711	17 339	14 852	9 111
Other non-current liabilities	22 908	16 198	14 062	9 525
	75 862	**89 500**	**79 924**	**32 452**
Current liabilities				
Trade payables	14 687	20 556	19 468	12 826
Liabilities to credit institutions	10 786	15 930	17 657	2 000
Other provisions	-	461	-	442
Additional purchase consideration	2 108	2 066	2 070	-
Lease liabilities	3 563	7 720	7 544	3 894
Other liabilities	43 946	41 847	41 830	27 169
	75 090	**88 580**	**88 569**	**46 331**
TOTAL EQUITY AND LIABILITIES	**345 472**	**406 417**	**386 443**	**184 902**

Summary consolidated statement of changes in equity

Amounts in TSEK	Share capital	New share issue in progress	Other contributed capital	Translation reserve	Retained earnings including profit for the period	Total equity
Opening balance as of 1 January 2019, see Note 10	**10 069**	**124**	**130 982**	**-2 099**	**-32 957**	**106 119**
Profit for the period					-6 799	**-6 799**
Other comprehensive income				218	-181	**37**
Total comprehensive income				**218**	**-6 980**	**-6 762**
Transactions with owners:						
Contributed capital	8 240	-124	121 737			**129 853**
Transaction expenses, after tax			-11 260			**-11 260**
Total transactions with shareholders	**8 240**		**110 477**			**118 593**
Closing balance as of 31 December 2019	**18 309**		**241 459**	**-1 881**	**-39 937**	**217 950**
Opening balance as of 1 January 2019, see Note 6	**10 069**	**124**	**130 982**	**-2 099**	**-32 957**	**106 119**
Profit for the period					-5 672	**-5 672**
Other comprehensive income				9 297		**9 297**
Total comprehensive income				**9 297**	**-5 672**	**3 625**
Transactions with owners:						
Contributed capital	8 240	-124	121 737			**129 853**
Transaction expenses, after tax			-11 260			**-11 260**
Total transactions with shareholders	**8 240**		**110 477**			**118 593**
Closing balance as of 30 September 2019	**18 309**		**241 459**	**7 198**	**-38 629**	**228 337**
Opening balance as of 1 January 2020	**18 309**		**241 459**	**-1 881**	**-39 937**	**217 950**
Profit for the period					-17 766	**-17 766**
Other comprehensive income				-5 663		**-5 663**
Total comprehensive income				**-5 663**	**-17 766**	**-23 429**
Closing balance as of 30 September 2020	**18 309**		**241 459**	**-7 544**	**-57 703**	**194 520**

Summary consolidated statement of cash flows

Amounts in TSEK	2020 July-Sept	2019 July-Sept	2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
Operating activities					
Operating profit/loss	2 750	1 189	-13 604	-27	2 685
Adjustments for non-cash items	3 122	8 511	22 584	13 759	29 142
Interest paid	-994	-1 198	-2 887	-1 606	-3 016
Interest received	0	48	80	48	32
Tax paid	0	0	0	0	-371
Tax received	81	0	215	0	1 006
Cash flow from operating activities before changes in working capital	**4 959**	**8 550**	**6 388**	**12 174**	**29 478**
Increase(-)/Decrease(+) in inventories	3 720	1 770	9 608	2 560	2 330
Increase(-)/Decrease(+) in operating receivables	-2 512	22 293	3 135	29 853	28 438
Increase(-)Decrease(+) in operating liabilities	2 751	-36 979	-2 194	-45 963	-56 392
Cash flow from operating activities	**8 918**	**-4 366**	**16 937**	**-1 376**	**3 854**
Investing activities					
Acquisition of subsidiaries, less acquired cash and cash equivalents	-	-	1 958	-137 800	-137 800
Investments in property, plant and equipment	-310	103	-533	-471	-1 224
Investments in intangible assets	0	-1 811	-3 232	-3 972	-7 581
Disposals of property, plant, and equipment	0	0	0	8	8
Net of paid-in and repaid deposits	95	0	95	0	40
Cash flow from investing activities	**-215**	**-1 708**	**-1 712**	**-142 235**	**-146 557**
Financing activities					
New share issue	-	-	-	118 332	118 332
Borrowings	-	-	7 666	52 941	52 941
Repayment of loans	-2 790	-500	-2 790	-5 000	-8 416
Change in bank overdraft facilities	-5 853	3 664	-6 477	3 664	6 477
Lease liabilities	-731	-1 837	-4 593	-3 765	-5 714
Cash flow from financing activities	**-9 374**	**1 327**	**-6 194**	**166 172**	**163 620**
Cash flow for the period	**-671**	**-4 747**	**9 031**	**22 561**	**20 917**
Exchange rate differences in cash and cash equivalents	-713	1 196	-1 570	1 056	79
Cash and cash equivalents at the beginning of the period	**50 138**	**47 465**	**41 293**	**20 297**	**20 297**
Cash and cash equivalents at the end of the period	**48 754**	**43 914**	**48 754**	**43 914**	**41 293**

Operating segment revenue and profit

The gross profit margin and EBITDA are the performance measures that are reported to the highest executive decision-maker and that form the basis for allocating resources and evaluating performance in the Group. Financial income, financial expenses and income tax are managed at Group level.

An analysis of the Group's revenue and results for each reportable operating segment follows below. The effects of recognising leases under IFRS 16 and capitalising development expenses in accordance with IAS 38 have not been allocated to the segments in the table below, included in the elimination column.

TSEK	TagMaster Europe	TagMaster USA	Central	Elimin-ations	Total Group
Revenue					
External revenue	112 021	106 644			218 665
Cross-segment transactions		648		-648	0
	112 021	**107 292**		**-648**	**218 665**
Gross profit	66 634	75 527			142 161
Adjusted EBITDA	-295	13 977	8 175		21 858
Non recurring items	-9 321	-8 312			-17 633
EBITDA	-9 616	5 665	8 175		4 225
Depreciation of property, plant and equipment and amortisation of intangible assets	-5 075	-12 754			-17 829
Operating profit/loss	**-14 691**	**-7 089**	**8 175**		**-13 604**
Other segment information					
Gross profit margin, %	59,5	70,4			65,0
Adjusted EBITDA margin, %	-0,3	13,0			10,0
EBITDA margin, %	-8,6	5,3			1,9
Restructuring expenses	-9 321				-9 321
Acquisition-related expenses		-8 312			-8 312
Number of employees at the end of the period	64	35			99

TSEK	TagMaster Europe	TagMaster USA	Central	Total Group
Revenue				
External revenue	139 279	40 144		179 423
	139 279	40 144		**179 423**
Gross profit	88 881	27 683		116 565
Adjusted EBITDA	**12 142**	**1 519**	**8 148**	21 809
Non recurring items		-5 122	-4 148	-9 270
EBITDA	**12 142**	**-3 603**	**4 000**	12 539
Depreciation of property, plant and equipment and amortisation of intangible assets	-6 789	-5 777		-12 566
Operating profit/loss	**5 353**	**-9 380**	**4 000**	**-27**
Other segment information				
Gross profit margin, %	63,8	69,0		65,0
Adjusted EBITDA margin, %	8,7	3,8		12,2
EBITDA margin, %	8,7	-9,0		7,0
Acquisition-related expenses		-5 122	-4 148	-9 270
Number of employees at the end of the period	80	35		115

Summarized parent company income statement

Amounts in TSEK	2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
Net sales	48 272	56 640	84 175
Other operating income	1 381	123	0
	49 653	**56 763**	**84 175**
Goods for resale and consumables	-16 560	-17 834	-25 129
Other external expenses	-10 149	-12 515	-17 158
Personnel expenses	-19 673	-19 028	-26 052
Depreciation of property, plant and equipment and amortisation of intangible assets	-79	-	-39
Other operating expenses	0	0	-69
Operating profit/loss	**3 192**	**7 386**	**15 728**
Financial expenses	-1 945	-1 558	-174
Profit after financial items	**1 247**	**5 828**	**15 554**
Tax on net profit for the year	0	0	-3 378
Profit for the period *	**1 247**	**5 828**	**12 176**

*Profit for the year accords with comprehensive income for the year

Summary parent company balance sheet

Amounts in TSEK	2020-09-30	2019-09-30	2019-12-31	2019-01-01
ASSETS				
Subscribed but not paid-up capital	**-**	-	-	2 806
Intangible assets	310	-	368	-
Property, plant, and equipment	102	-	123	-
Financial assets	251 670	257 007	278 146	110 305
Inventories	9 747	8 672	8 377	10 200
Trade receivables	9 218	7 656	13 453	8 270
Receivables from Group companies	40 546	37 434	17 228	1 003
Other receivables	6 913	3 843	3 820	3 300
Cash and bank balances	4 727	4 297	1 597	3 621
TOTAL ASSETS	**323 233**	**318 909**	**323 112**	**139 505**
EQUITY AND LIABILITIES				
Equity	250 033	242 438	248 784	118 016
Provisions	3 696	3 863	3 657	3 735
Non-current liabilities to credit institutions	34 365	43 507	38 305	3 500
Current liabilities to credit institutions	10 786	15 930	17 657	2 000
Trade payables	5 377	4 692	5 494	4 174
Liabilities to Group companies	3 233	0	15	-
Other liabilities	15 743	8 479	9 200	8 080
TOTAL EQUITY AND LIABILITIES	**323 233**	**318 909**	**323 112**	**139 505**

Notes to the financial statements

1. Accounting policies

This interim report is prepared in accordance with IAS 34 Interim Financial Reporting.

These are TagMaster AB's third consolidated financial statements prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS). In addition, the Group applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Council Recommendation RFR 1, Supplementary Accounting Rules for Groups. Previously, the Group applied the Swedish Accounting Standards Board's general recommendation BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements ('K3').

The transition date to IFRS was set for 1 January 2019, and thus the comparative figures for the third quarter of 2019 and the financial year 2019 have been restated in line with IFRS. A description and quantification of transition effects can be found in Note 6.

Disclosures in accordance with IAS 34 Interim Financial Reporting are provided both in these notes and elsewhere in the interim report.

Significant accounting policies

In the consolidated financial statements, items have been measured at cost, except with regard to certain financial instruments measured at fair value. The significant accounting policies applied are described below.

Consolidated financial statements

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

Subsidiaries are included in the consolidated financial statements from the date of acquisition until the time when the parent company no longer has a controlling influence over the subsidiary. The accounting policies for subsidiaries have been adjusted, if necessary, to comply with the Group's accounting policies. All intra-Group transactions, balances and unrealised gains and losses attributable to intra-Group transactions have been eliminated in the preparation of the consolidated financial statements.

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

When the parent company losses a controlling influence over a subsidiary, the gain or loss on disposal is calculated as the difference between:

(i) the sum of the fair value of the consideration received and the fair value of any remaining holdings and

(ii) the previously recognised values of the assets of the subsidiary (including goodwill), and liabilities and any holdings without controlling interest.

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

Business combinations

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

The consideration paid also includes the fair value at the date of acquisition of the assets or liabilities resulting from an agreement on contingent consideration. Changes in the fair value of a contingent consideration arising from additional information obtained after the acquisition date concerning the facts and circumstances that existed at the time of acquisition qualify as adjustments during the measurement period and are adjusted retroactively, with corresponding adjustment of goodwill. A contingent consideration classified as equity is not remeasured, and subsequent settlement is recognised within equity. All other changes in the fair value of a contingent consideration are recognised in profit or loss.

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

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

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

Goodwill

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

Segment reporting

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

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

The accounting policies of the reportable segments are consistent with the principles applied by the Group as a whole. The effects of recognition of leases under IFRS 16 and capitalisation of development expenses in accordance with IAS 38 are not allocated to the segments in internal reporting

Revenue from contracts with customers

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

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

TagMaster mainly sells hardware and software to customers along with related services such as customisation and technical support. It happens that contracts with customers include several different products and services, while software and technical support in other contracts are sold separately. Where the contracts contain several performance obligations, the transaction price is allocated to each separate performance obligation based on their individual sales price.

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

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

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

Hardware and pre-installed software

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

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

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

Software

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

Technical support

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

Leases

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

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

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

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

- fixed lease payments (including in-substance fixed payments) less any benefits;
- variable lease payments that depend on an index or rate, initially measured using an index or rate at the date of initiation,

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

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

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

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

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

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

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

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

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

Foreign currency

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

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

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

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

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

Employee benefits

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

Defined-contribution plans

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

Defined-benefit plans

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

The liability or asset recognised in the balance sheet for defined-benefit pension plans is the present value of the defined-benefit obligation at the end of the reporting period. The defined-benefit pension obligation is calculated annually by independent actuaries using the projected unit credit method.

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

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

Taxes

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

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

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

A deferred tax liability is recognised for taxable temporary differences attributable to investments in subsidiaries, except where the Group can control the time of reversal of the temporary differences and where it is likely that such a reversal will not take place in the foreseeable future. The deferred tax assets attributable to deductible temporary differences in such investments are recognised only to the extent that it likely that the amounts can be used against future taxable profits and it is probable that such use will take place in the foreseeable future.

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

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

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

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

Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and any impairment losses.

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

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

Equipment	5 years
Leasehold improvements	Over the length of the contract

Estimated useful lives, residual values and depreciation methods are reviewed at least at the end of each accounting period, and the effect of any changes in estimates is recognised prospectively.

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

Intangible assets

Internally generated intangible assets - Capitalised expenses for product development

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

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

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

After initial recognition, internally generated intangible assets are recognised at cost less accumulated depreciation and any accumulated impairment losses. Estimated useful life is 5 or 7 years. Estimated useful lives and depreciation methods are reviewed at least at the end of each financial year, and the effect of any changes in assessments is reported prospectively.

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

Acquisition as part of a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they meet the definition of an intangible asset and their fair values can be reliably calculated. The cost of such intangible assets is their fair value at the time of acquisition. Acquired intangible assets are amortised on a straight-line basis over their estimated useful life.

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

Customer relationships	7 years
Capitalised product development expenditure	5 years

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

Impairment losses on property, plant and equipment excluding goodwill

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

Intangible assets with indeterminable useful lives and intangible assets not yet ready for use are tested annually for any impairment loss, or when there is an indication of impairment.

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, the estimated future cash flow at present value is discounted at a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset (or cash-generating unit) is determined at a lower value than the carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to the recoverable amount. An impairment loss is recognised immediately in the income statement.

When an impairment loss is then reversed, the carrying amount of the asset (the cash-generating unit) increases to the remeasured recoverable amount, but the increased carrying amount must not exceed the carrying amount that would have been determined if no impairment loss had been made of the asset (the cash-generating unit) in previous years. A reversal of an impairment loss is recognised directly in profit or loss.

Borrowing costs

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

Cash and cash equivalents

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

Financial instruments

Financial instruments recognised in the statement of financial position include, on the assets side, rental deposits (classified as Other non-current receivables), Trade receivables and Cash and cash equivalents. On the liabilities side are Borrowing, Lease liabilities, contingent considerations (classified as Other financial liabilities), Trade payables and accrued expenses (classified as Other liabilities).

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

Classification and measurement

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

If the financial asset is held in a business model whose objective can be achieved both by collecting contractual cash flows and selling financial assets and the agreed terms of the financial asset give rise at specified times to cash flows that are only payments of principal and interest on the outstanding principal, the asset is recognised at fair value through other comprehensive income. This business model is classified as 'hold to collect and sell'.

Any other business model where the purpose is speculation, holding for trading or where the cash flow nature excludes other business models means recognition at fair value through profit or loss. This business model is classified as 'other'.

For all financial assets except derivative instruments, TagMaster applies the 'hold to collect' business model, which means that the assets are recognised at amortised cost. TagMaster applies the 'other' business model to derivative instruments, which means that they are measured at fair value through profit or loss.

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

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

Amortised cost and effective interest method

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

Impairment

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

Equity instruments are not subject to the impairment rules.

Inventories

Inventories are valued at the lower of cost and net realisable value. Weighted average prices have been used in determining acquisition value. Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to achieve a sale.

Provisions

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

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

Statement of cash flows

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

Parent company accounting policies

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

This is the parent company's third financial report to have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The parent company has previously applied the Swedish

Accounting Standards Board's general recommendations BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements ('K3') and the Swedish Annual Accounts Act. The transition date has been set at 1 January 2019, which means that the comparative figures for the third quarter of 2019 and the financial year 2019 have been restated according to RFR 2. The transition to RFR 2 has not had any material effects on the parent company's financial position, earnings or cash flow.

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

Classification and formats

The parent company's income statement and balance sheet are prepared according to the scheme set out in the Swedish Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements applied in the preparation of the consolidated financial statements is primarily the recognition of financial income and expenses, non-current assets, equity and the existence of provisions as a separate heading.

Subsidiaries

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

Financial instruments

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

Leases

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

Shareholder contributions

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

2. Key estimates and assessments

Key sources of uncertainty in estimates

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

Impairment testing of goodwill

The Group examines annually whether there is a need for impairment of goodwill. The recoverable amount for the cash-generating units to which goodwill has been allocated is determined on the basis of the calculation of value in use. Calculating value in use requires management to make estimates of important assumptions such as future revenues, profit margins, investment levels and discount rates. The calculations are based on cash flow forecasts based on budgets and forecasts for the next five years. The profit margin and the level of investment used are consistent with the historical levels of that entity. The growth rate used is consistent with industry forecasts for the cash-generating unit. The assumptions are developed by management and reviewed by the Board of Directors.

Important assessments in application of the Group's accounting policies

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

Acquisition of businesses (business combinations)

The measurement of identifiable assets and liabilities in connection with the acquisition of businesses includes both items in the balance sheet of the acquired company and items that have not been recognised on the balance sheet of the acquired company, such as intangible assets, of various types being measured at fair value. Identification must first be made of which intangible fixed assets may have a value, such as customer relationships, trademarks and technology that has been developed. There are normally no quoted prices for the assets and liabilities to be measured, so that different measurement techniques have to be applied. These measurement techniques are based on a number of different assumptions such as future cash flows, growth rate of revenue, EBITDA margin and both tax rates and discount factors. Valuations of this kind include a large number of assessments, all of which must be carefully examined, calculated and analysed. This also means that a preliminary measurement may need to be performed and then adjusted. All acquisition costings are subject to final adjustment no later than one year after the acquisition date.

Intangible assets - capitalisation of development expenditure

The Group conducts development activities. An intangible asset arising from development is recognised as an asset in the balance sheet only if all the conditions set out in IAS 38 are met.

In each development project, the Group's Product Strategy Board (PSB), which includes the Group's CEO, CTO and Sales Director, takes a position on an ongoing basis as to whether the conditions are met for selling the finished product and whether the technical competence and financial resources exist to complete the project.

Group management, based on the positions adopted by the PSB, makes a judgement as to whether the necessary technical knowledge and financial strength exist to turn the capitalised intangible assets into marketable products. The market for future products is judged to be the same market as the Group's products are sold on today.

Measurement of loss carry-forwards

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent that they are likely to be used. Material assessments are required to estimate future tax surpluses and when these will occur. The measurement of loss carry-forwards and the Group's ability to use loss carry-forwards are based on management's estimates of future taxable income in the subsidiaries. As of 31 December 2019, the Group had loss carry-forwards totalling approximately SEK 335.0 million (138.0), of which SEK 19.2 million (20.2) was taken into account in calculation of the deferred tax asset.

Other areas of an assessment nature

Other areas of an assessment nature include, in particular, assessment of obsolescence of inventories and provisions for guarantee commitments.

3. Transactions with related parties

Related-party transactions refer to transactions in the form of remuneration to senior executives, as stated on page 47 of the 2019 Annual Report There are no other significant transactions with related parties.

4. Fair value of financial instruments

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

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

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

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

TagMaster's financial instruments consist mainly of rental deposits (classified as Other non-current receivables), Trade receivables, positive derivative instruments (classified as Other receivables), Cash and cash equivalents, Borrowings, Lease liabilities, contingent considerations (classified as Other financial liabilities), negative derivative instruments (classified as Other liabilities), Trade payables and Accrued expenses (classified as Other liabilities).

Derivative instruments with a positive value are recurrently measured at fair value, where fair value is determined according to level 2. The Group has no other financial assets that are recurrently measured at fair value. Liabilities that are recurrently measured at fair value are derivative instruments with a negative fair value, where fair value is determined according to level 2, and contingent considerations where fair value is determined according to level 3. There have been no transfers between level 1 and level 2 for recurrent measurements at fair value during the year.

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

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

Contingent considerations from acquisitions are measured at fair value, according to level 3. A contingent consideration has arisen following the acquisition of Magsys SA. A discounted cash flow method was used to capture the present value of the expected future economic benefits that will leave the Group at the time of the acquisition. The significant unobservable data used in the calculation are risk-adjusted discount rate and probability-adjusted expected cash flow. TagMaster has used a discount rate of 2.621% and an expected cash flow of €200,000 in the model. The following table shows the change in contingent consideration, which alone is the instrument valued at fair value in level 3.

Contingent consideration	
Opening balance 1 January 2019	**-1 985**
Gains(+)/losses(-) recognised in profit or loss	-54
Exchange differences (+/-) recognised in profit or loss	-31
Closing balance 31 December 2019	**-2 070**
Gains(+)/losses(-) recognised in profit or loss	-14
Exchange differences (+/-) recognised in profit or loss	--24
Closing balance 30 September 2020	**-2 108**

5. Breakdown of revenue from contracts with customers

	1 January 2020 – 30 Sept 2020			**1 January 2019 – 30 Sept 2019**		
	TagMaster Europe	**TagMaster USA**	**Total Group**	**TagMaster Europe**	**TagMaster USA**	**Total Group**
Geographical region						
Sweden	2 302	0	2 302	1 877	0	1 877
EMEA	66 292	39 422	105 714	93 860	21 676	115 536
Asia Pacific	18 222	2 471	20 692	21 341	0	21 341
Americas	25 206	64 751	89 957	22 201	18 469	40 670
	112 021	**106 644**	**218 665**	**139 279**	**40 144**	**179 423**
Costumer category						
Traffic Solutions	77 871	106 644	184 514	89 519	40 144	129 663
Rail Solutions	34 151	-	34 151	49 760	-	49 760
	112 021	**106 644**	**218 665**	**139 279**	**40 144**	**179 423**
Time of revenue recognition						
At a particular times	110 099	105 347	215 446	136 397	39 768	176 165
Over time	1 922	1 297	3 219	2 882	376	3258
	112 021	**106 644**	**218 665**	**139 279**	**40 144**	**179 423**

6. Transition to IFRS

TagMaster AB has previously applied the Swedish Annual Reports Act and BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements ('K3'). With effect from 1 January 2020, TagMaster AB prepares its annual accounts and consolidated financial statements in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC).

The date of transition to IFRS has been set at 1 January 2019. The transition to IFRS is recognised in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The general rule of IFRS 1 is that an entity applies all recommendations retroactively when determining the opening balance. However, there are some mandatory and optional exceptions to retroactive application. The Group has chosen to apply the following exceptions:

- IFRS 3 has not been applied to acquisition analyses prepared before the transition date
- Lease liabilities have been measured at the present value of remaining lease payments, discounted by the marginal borrowing rate at the time of transition to IFRS.

The following tables present and quantify the effects assessed by management on the consolidated statement of comprehensive income and financial position in transition to IFRS for the Group. [The transition is not expected to have a material effect on the consolidated statement of cash flows.]

The main impact on recognition is:

- Application of IFRS 3 for the purchase price allocation attributable to the acquisition of Sensys Networks Inc, see Note A.2
- Reversal of previous years' amortisation of goodwill, see Note A below
- Capitalisation of development expenses, see Note A below
- Recognition of operating leases in the Group's balance sheet, see Note B below
- Recognition of defined-benefit plans, see Note C below
- Recognition of operating leases in the Group's balance sheet, see Note B below

Summary consolidated statement of financial position

Amounts in TSEK	Note	2018-12-31 K3	Effect on transition to IFRS	2019-01-01 IFRS
ASSETS				
Subscribed but not paid-up capital		**2 806**		**2 806**
Non-current assets				
Intangible assets	A	51 400	4 027	55 427
Property, plant and equipment		3 008		3 008
Right-of-use assets	B		13 005	13 005
Other non-current receivables		1 141		1 141
Deferred tax assets	D	6 118	812	6 930
		61 667	**17 844**	**79 511**
Current assets				
Inventories		37 037		37 037
Trade receivables		32 079		32 079
Other receivables		13 172		13 172
Cash and cash equivalents		20 297		20 297
		102 585		**102 585**
TOTAL ASSETS		**167 058**	**17 844**	**184 902**
SHAREHOLDERS' EQUITY				
Share capital		10 069		10 069
New share issue in progress		124		124
Other contributed capital		130 982		130 982
Translation reserve			-2 099	-2 099
Retained earnings including profit for the period		-35 844	2 887	-32 957
		105 331	**788**	**106 119**
Provisions/Non-current liabilities				
Liabilities to credit institutions		3 500		3 500
Deferred tax liabilities	D	272	927	1 199
Other provisions	C	6 435	697	7 132
Additional purchase consideration	C.2	0	1 985	1 985
Other non-current liabilities		9 525		9 525
Lease liabilities	B	0	9 111	9 111
		19 732	**12 720**	**32 452**
Current liabilities				
Trade payables		12 826		12 826
Liabilities to credit institutions		2 000		2 000
Other provisions	C		442	442
Lease liabilities	B		3 894	3 894
Other liabilities		27 169		27 169
		41 995	**4 336**	**46 331**
TOTAL EQUITY AND LIABILITIES		**167 058**	**17 844**	**184 902**

Summary consolidated statement of financial position

Amounts in TSEK	Note	2019-12-31 K3	Effect on transition to IFRS	2019-12-31 IFRS
ASSETS				
Non-current assets				
Intangible assets	A	167 098	24 077	191 175
Property, plant and equipment		3 310		3 310
Right-of-use assets	B		22 175	22 175
Other non-current receivables		1 577	27	1 604
Deferred tax assets	D	5 768	859	6 627
		177 753	**47 138**	**224 891**
Current assets				
Inventories		53 386		53 386
Trade receivables		56 654		56 654
Other receivables		10 219		10 219
Cash and cash equivalents		41 293		41 293
		161 552		**161 552**
TOTAL ASSETS		**339 305**	**47 138**	**386 443**
SHAREHOLDERS' EQUITY				
Share capital		18 309		18 309
Other contributed capital		241 459		241 459
Translation reserve			-1 881	-1 881
Retained earnings including profit for the period		-60 672	20 735	-39 937
		199 096	**18 854**	**217 950**
Non-current liabilities				
Liabilities to credit institutions		38 305		38 305
Deferred tax liabilities	D	293	2 656	2 949
Other provisions	C	6 896	2 860	9 756
Other non-current liabilities		8 441	5 621	14 062
Lease liabilities	B		14 852	14 852
		53 935	**20 368**	**79 924**
Current liabilities				
Trade payables		19 468		19 468
Liabilities to credit institutions		17 657		17 657
Additional purchase consideration	C.2		2 070	2 070
Lease liabilities			7 544	7 544
Other liabilities	C.3	49 149	-7 319	41 830
		86 274	**7 916**	**88 569**
TOTAL EQUITY AND LIABILITIES		**339 305**	**47 138**	**386 443**

Summary consolidated statement of financial position

Amounts in TSEK	Note	2019-09-30 K3	Effect on transition to IFRS	2019-09-30
ASSETS				
Non-current assets				
Intangible assets	A	185 672	15 038	200 710
Property, plant and equipment		3 264		3 264
Right-of-use assets	B	0	24 908	24 908
Other non-current receivables		1 634		1 634
Deferred tax assets	D	9 450	873	10 323
		200 020	**40 819**	**240 839**
Current assets				
Inventories		53 734		53 734
Trade receivables		56 532		56 532
Other receivables		11 398		11 398
Cash and cash equivalents		43 914		43 914
		165 578		**165 578**
TOTAL ASSETS		**365 598**	**40 819**	**406 417**
SHAREHOLDERS' EQUITY				
Share capital		18 309		18 309
Other contributed capital		241 459		241 459
Translation reserve		0	7 198	7 198
Retained earnings including profit for the period		-42 420	3 791	-38 629
		217 348	**10 989**	**228 337**
Provisions/Non-current liabilities				
Liabilities to credit institutions		43 507		43 507
Deferred tax liabilities	D	0	1 509	1 509
Other provisions	C	8 847	2 147	10 994
Other non-current liabilities		16 151	0	16 151
Lease liabilities	B	0	17 339	17 339
		68 505	**20 995**	**89 500**
Current liabilities				
Trade payables		20 556		20 556
Other provisions	C	0	461	461
Liabilities to credit institutions		15 930		15 930
Additional purchase consideration	C.2	0	2 066	2 066
Lease liabilities	B	0	7 720	7 720
Other liabilities		43 259	-1 412	41 847
		79 745	**8 835**	**88 580**
TOTAL EQUITY AND LIABILITIES		**365 598**	**40 819**	**406 417**

Summary consolidated income statement and consolidated statement of other comprehensive income

Amounts in TSEK	Note	2019 Jan-Sept K3	Effect on transition to IFRS	2019 Jan-Sept IFRS	2019 Jan-Dec K3	Effect on transition to IFRS	2019 Jan-Dec IFRS
Net sales		179 423		179 423	262 955		262 955
Other revenue		2 308		2 308	2 216		2 216
Change in inventories during manufacture and finished goods		-592		-592	-2 319		-2 319
Capitalised work for own account	**A**		3 837	3 837		6 518	6 518
Goods for resale, raw materials and consumables		-62 266		-62 266	-85 637		-85 637
Other external expenses	**A, B**	-34 472	163	-34 309	-48 964	2 822	-46 142
Personnel expenses		-75 215		-75 215	-114 715	233	-114 482
Other operating expenses		-647		-647	-677		-677
Depreciation of property, plant and equipment and amortisation of intangible assets	**A, B**	-19 597	7 031	-12 566	-30 851	11 104	-19 747
Operating profit/loss		**-11 058**	11 031	**-27**	**-17 992**	20 677	**2 685**
Net financial income and expenses	**B**	-3 189	-383	-3 572	-2 070	-624	-2 694
Profit/loss before tax		**-14 247**	10 648	**-3 599**	**-20 062**	20 053	**-9**
Tax	**D**	-1 536	-537	-2 073	-5 086	-1 704	-6 790
Profit for the period		**-15 783**	10 111	**-5 672**	**-25 148**	18 349	**-6 799**
Other comprehensive income							
Items that may be reclassified to profit or loss							
Exchange differences when translating foreign operations		9 115	182	9 297	320	-102	218
Items not to be reclassified to the income statement							
Remeasurement of the net pension obligation						-241	-241
Tax on the above						60	60
Comprehensive income for the period		**-6 668**	**10 293**	**3 625**	**-24 828**	**18 066**	**-6 762**

Equity adjustments

Amounts in TSEK	2019-09-30	2019-12-31	2019-01-01
Capitalised development expenditure	7 843	11 185	4 026
Deferred tax on capitalised development expenditure	-1 464	-2 625	-927
Provision/change, defined-benefit pension plans	-3 261	-3 184	-3 123
Deferred tax on pension provisions	858	872	812
Acquisition expenses	-4 148	-4 148	-
Reversal of amortisation of goodwill	15 822	25 590	-
Amortisation of intangible assets (acquisition analysis)	-4 695	-8 534	-
Fair value adjustment, derivative instruments	-	27	-
Deferred tax on fair value adjustment, derivative instruments	-	-6	-
Effect of IFRS 16	-148	-223	-
Translation difference	182	-100	-
Total adjustments in equity	**10 989**	**18 854**	**788**
Attributable to:			
Shareholders in the Parent Company	**10 989**	**18 854**	**788**

Note A. Intangible assets

Amounts in TSEK	Note	Goodwill	Capitalized development expenditure	Customer relationships	Trademarks	Total
Carrying amount K3 01.01.2019		*47 756*	*3 644*	-	-	*51 400*
Capitalization	A.3	-	4 026	-	-	4 026
Carrying amount IFRS 01.01.2019		**47 756**	**7 670**	**-**	**-**	**55 426**
Carrying amount K3 30.09.2019		*184 546*	*1 126*	-	-	*185 672*
Opening IFRS adjustment, net		-	*4 026*	-	-	*4 026*
Reversed depreciation	A.1	15 822	--	-	-	15 822
Acquisition analysis in accordance with IFRS 3	A	-98 472	30 487	57 163	6 669	-4 153
Capitalization for the period	A.3	-	3 972	-	-	3 972
Depreciation for the period		-	-2 161	-2 689	-	-4 850
Translation difference		-2 415	892	-1 550	194	221
Carrying amount IFRS 30.09.2019		**99 481**	**38 342**	**56 024**	**6 863**	**200 710**
Carrying amount K3 31.12.2019		*166 730*	*368*	-	-	*167 098*
Opening IFRS adjustment, net		-	*4 026*	-	-	*4 026*
Reversed depreciation	A.1	25 590	-	-	-	25 590
Acquisition analysis in accordance with IFRS 3	A.2	-98 472	30 487	57 163	6 669	-4 153
Capitalization for the period	A.3	-	7 159	-	-	7 159
Depreciation for the period		-	-3 799	-4 735	-	-8 534
Translation difference		1 918	-594	-1 188	-147	-11
Carrying amount IFRS 31.12.2019		**95 766**	**37 647**	**51 240**	**6 522**	**191 175**

Note A.1

According to IFRS, the item goodwill is an intangible asset with an indeterminable useful life, which means that the item is not reduced by annual depreciation. This differs from previous accounting policies (K3) where an economic life of 5-10 years earlier was previously applied. The transition to IAS 38 therefore means that goodwill amortisation in 2019 is reversed and is written back to retained earnings in equity. Goodwill is not a deductible expense or taxable income, and the adjustment therefore has no tax effects on items attributable to company acquisitions. The goodwill arising from the purchase of the net assets of business recognised in the Group is attributable to a French entity. In France, equivalent tax rules apply to the goodwill arising from the purchase of the net assets of business as to Group goodwill, and this adjustment has therefore not had any tax effects. The transition to IFRS entails new requirements for TagMaster to test goodwill at least annually for any impairment. A possible impairment loss is recognised in operating profit. The item has been tested for impairment based on circumstances that prevailed at the time of transition to IFRS and as of 31 December 2019, no impairment requirement was identified. Sensitivity analyses also show that possible changes in material assumptions do not lead to any impairment.

Note A.2

On 13 June, 100% of the shares in the US company Sensys Networks Inc. were acquired for a consideration of SEK 162,275 thousand. The acquisition took place after the date of the transition to IFRS, and the acquisition analysis has therefore been prepared in accordance with IFRS 3. The entire remuneration has been transferred through cash and cash equivalents, and acquisition-related expenses total SEK 4,148 thousand and have been recognised as other expenses in the income statement. The assets and liabilities recognised as a result of the acquisition are as follows:

	K3	**Fair value IFRS 3**	**Effect on transition to IFRS**
Non-current assets			
Capitalized development expenditure	-	30 487	30 487
Customer relationships	-	57 163	57 163
Trademarks	-	6 669	6 669
Other non-current receivables	448	448	-
Property, plant and equipment	286	286	-
Current assets			-
Inventories	19 645	19 645	-
Trade receivables	22 894	22 894	-
Total current receivables	29 072	29 077	-
Cash and cash equivalents	24 475	24 475	-
Non-current liabilities			-
Other provisions	-2 429	-2 429	-
Current liabilities			
Trade payables	-22 427	-22 427	-
Total current liabilities	-51 020	-51 020	-
Identifiable assets and liabilities, net	20 944	115 268	94 319
Transferred remuneration	166 423	162 275	-4 148
Goodwill	145 479	47 007	-98 472

Note that the above acquisition analysis is preliminary and may be adjusted.

Goodwill arose on the acquisition, as the transferred remuneration also included amounts related to synergies, revenue increases, development of future markets and the combined workforce of the company. These benefits have not been recognised separately from goodwill because they do not meet the criteria for recognition of identifiable intangible assets.

No part of the goodwill arising in connection with the acquisition is expected to be tax deductible.

Note A.3

TagMaster is engaged in the development of sensor products and advanced software. In IFRS, expenses that meet specific criteria in IAS 38 for development expenses are to be capitalised as an intangible asset in the consolidated balance sheet. This differs from previous accounting policies (K3) when TagMaster recognised development expenses as an expense in the income statement in the period in which they arose. The transition to IAS 38 therefore means that historical development expenses less accumulated depreciation have been capitalised in the Group's balance sheet. The useful life of capitalised development expenditure is 5-7 years.

Note B

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

For the remaining lease commitments, the Group has recognised rights of use as of 1 January 2019 of SEK 12.9 million and lease liabilities of SEK 12.9 million (after adjustments for prepaid and accrued lease payments). For TagMaster Europe, the average marginal borrowing rate was 2.62%. The corresponding interest rate for TagMaster USA was 4.38%.

Depreciation for the full year totals SEK 5.9 million, and interest expense linked to leases for the full year totals SEK 0.6 million. A reversal of SEK 6.3 million has been applied in operating profit for expenses related to operating leases under K3. The cost of short-term leases totals SEK 0.8 million and the cost of leasing low-value assets totals minor amounts. These continue to be charged to operating profit, i.e. there is no difference on transition from K3 to IFRS.

As of 31 December 31 2019, the Group had rights of use of SEK 22.1 million and lease liabilities of SEK 22.3 million (after adjustments for prepaid and accrued lease payments), of which the current portion of the lease liability is SEK 7.5 million.

Cash flow for the full year 2019 was affected by lease payments of SEK 6.3 million now being included in financing activities instead of operating activities.

Amortisation for the third quarter totals 1930 TSEK and interest expense linked to the leases for the quarter totals 235 TSEK. A reversal of 2 078 TSEK has been applied in operating profit for expenses related to operating leases under K3. The cost of short-term leases totals 179 TSEK and the cost of leasing low-value assets totals minor amounts. These continue to be charged to operating profit, i.e. there is no difference on transition from K3 to IFRS.

As of 31 December 31 2019, the Group had rights of use of SEK 22.1 million and lease liabilities of SEK 22.3 million (after adjustments for prepaid and accrued lease payments), of which the current portion of the lease liability is SEK 7.5 million.

Note C. Provisions

Amounts in TSEK	not	2019-12-31	2019-01-01
Carrying amount K3		6 896	6 435
Pension obligation	**C.1**	3 232	3 124
Reclassed additional purchase consideration	**C.2**	-2 070	-1 985
Reclassed termination obligation	**C.3**	1 698	
less: short-term pension obligation			-442
Carrying amount IFRS		**9 756**	**7 132**

Note C.1

TagMaster operates defined-benefit pension plans for employees in France. The plan is called a 'Retirement indemnity plan' and is unfunded. The retirement indemnity plan entitles employees who have been employed by TagMaster for more than two or five years to a lump-sum payment at retirement. The size of the lump-sum payment is determined by several factors such as seniority, salary at the time of retirement and position within the company. This benefit is a statutory benefit, the design of which is described in more detail in collective agreements arranged by the parties. Payments are made directly through TagMaster as they arise. The plan is open to new members and benefits are vested in the plan.

In IFRS, the present value of the defined-benefit obligation is recognised as a liability in the consolidated balance sheet and is determined by discounting estimated future cash flows calculated annually by independent actuaries using the projected unit credit method. Remeasurement gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income during the period in which they arise. Costs relating to service during previous periods and net interest income/expense are recognised directly in the income statement.

In the consolidated financial statements prepared in accordance with K3, TagMaster has applied the simplification rules whereby pension obligations in foreign subsidiaries may be recognised in accordance with local rules in each country. No liability has been included in the consolidated balance sheet as, under French local accounting rules, it is an option not to recognise pension commitments relating to the plan described above.

The transition to IAS 19 has meant that a liability of SEK 3.1 million (including a short-term portion of SEK 0.5 million) for the French defined-benefit plan has been recognised against retained earnings as of 1 January 2019.

Note C.2

Under IFRS, contingent considerations are to be recognised as other financial liabilities, and the contingent consideration attributable to the acquisition of Magsys SA has been reclassified from Other provisions to the item Additional purchase consideration.

Note C.3

An item of SEK 1.7 million attributable to a statutory commitment after termination of employment for employees in Italy (employed by the US subsidiary) has been reclassified from other liability to non-current provisions. Since these commitments under local Italian accounting rules are to be recognised in the balance sheet, the transition to IFRS has not had any impact on Group equity.

An item of SEK 5.6 million attributable to contractual debt for which the income will be reported later than one year but within five years after the balance sheet date has been reclassified to long-term debt.

Note D. Taxes

Deferred tax has been recognised on all temporary differences arising from the transition to IFRS. Regarding tax on surplus values attributable to the acquisition of Sensys Networks Inc, which as of the end of December 2019 totalled approximately SEK 20.1 million, a deferred tax asset attributable to tax loss carry-forward is recognised in the same amount.

The deferred tax asset attributable to the provision for defined-benefit pension plans for employees in France totalled SEK 811 thousand at the beginning of 2019, as of 31 December the equivalent amount was SEK 835 thousand.

Adjustments to deferred tax liabilities are mainly attributable to capitalised development expenses, as shown in the statement of adjustments in equity.

Group key ratios

Result, amounts i TSEK	2020 July-Sept	2020 April-June	2020 Jan-March	2019 Oct-Dec	2019 July-Sept	R12M Oct-Sept	2019 Full Year
Net sales	70 970	68 834	78 861	83 532	82 417	302 197	262 955
Net sales growth, %	-13,9	29,5	79,9	89,6	88,1	35,2	34,5
Gross profit	46 818	43 751	51 593	58 434	53 435	200 596	174 999
Gross margin, %	66,0	63,6	65,4	70,0	64,8	66,4	66,6
Adjusted EBITDA	8 643	6 311	6 905	14 251	12 401	36 110	36 051
Adjusted EBITDA margin, %	12,2	9,2	8,8	17,1	15,0	11,9	13,7
EBITDA	8 643	-6 613	2 196	9 893	8 129	14 119	22 432
EBITDA margin, %	12,2	-9,6	2,8	11,8	9,9	4,7	8,5
Operating profit	2 750	-12 509	-3 844	2 712	1 189	-10 891	2 685
Operating margin, %	3,9	-18,2	-4,9	3,2	1,4	-3,6	1,0
Profit/loss before tax	2 986	-12 488	-8 456	3 590	-3 069	-14 368	-9
Net profit for the period	3 343	-12 442	-8 667	-1 127	-5 557	-18 893	-6 799
Earnings per share before dilution, SEK	0,01	-0,03	-0,02	0,00	-0,02	-0,05	-0,02
Earnings per share after dilution, SEK	0,01	-0,03	-0,02	0,00	-0,02	-0,05	-0,02

Financial position, amounts i TSEK							
Equity	194 520	196 694	224 216	217 950	228 337	194 520	217 950
Average equity	206 235	207 322	221 083	223 144	225 665	208 756	162 035
Equity ratio, %	56,3	53,1	56,3	56,4	56,2	56,3	56,4
Net debt (-) receivable	4 779	26 112	42 772	39 135	42 648	4 779	39 135
Return on equity	1,6	-6,0	-3,9	-0,5	-2,5	-9,1	-4,2

Share data							
Net sales per share, SEK	0,19	0,19	0,22	0,23	0,23	0,83	0,89
Equity per share, SEK	0,53	0,54	0,61	0,60	0,62	0,53	0,60
Market price on closing day, SEK	0,72	0,74	0,56	0,81	0,73		
Average number of shares, thousands	366 188	366 188	366 188	366 188	366 188	366 188	294 468

Personnel information, amounts i TSEK							
Sales per employee	682	615	686	726	717	2 805	2 191
Average number of employees	104	112	115	115	115	108	120

[1]The number of shares before and after dilution are equal since there are no outstanding options or convertibles that can cause dilution.

PERFORMANCE AND MARGIN MEASURES

Key ratios	Definition/calculation	Purpose
Gross profit	Net sales minus costs of goods and services sold.	The key ratio is used in other calculations.
Gross margin	Net sales less costs of goods and services sold (gross profit) as a percentage of net sales.	The gross margin is used to measure production profitability.
Operating margin	Operating profit (EBIT) after depreciation, amortisation and impairments as a percentage of net sales.	Operating margin is used to measure operating profitability.
EBITDA	Operating profit (EBIT) before depreciation, amortisation and impairments.	EBITDA together with EBIT provides an overall picture of profit generated from operating activities.
Adjusted EBITDA	EBITDA adjusted for non-recurring items.	
Equity ratio	Equity as a percentage of the balance sheet total.	The key ratio indicates the proportion of assets financed by equity. Assets not financed by equity are financed by loans.
Return on equity	Profit for the year after tax attributable to the parent company's shareholders divided by average equity.	The key ratio shows the return the owners receive on their invested capital.
Average equity	Average equity is calculated as the average of the opening and closing balances.	The key ratio is used in other calculations.
Average number of employees	The total of number of employees per month divided by the number of months in the period.	The key ratio is used in other calculations.
Sales per employee	Sales divided by average number of employees.	The key ratio is used to assess the efficiency of a company.
Earnings per share, SEK	Profit for the period attributable to the parent company's shareholders divided by the average number of shares.	Earnings per share is used to determine the value of the company's outstanding shares.
Average number of shares	Weighted average number of shares at the end of the period.	The key ratio is used in other calculations.
Net debt	Interest-bearing liabilities less cash and cash equivalents.	The key ratio is used to track the company's indebtedness.
Net debt/EBITDA	Net debt at the end of the period divided by EBITDA, adjusted for rolling twelve months.	Net debt/EBITDA provides an estimate of the company's ability to reduce its debt. It represents the number of years it would take to pay the debt if net debt and EBITDA are kept constant, without taking account of cash flows relating to interest, tax and investments.

Financial performance measures not defined in accordance with IFRS

TagMaster presents certain financial performance measures in the interim report that are not defined in accordance with IFRS or the Annual Accounts Act. The company considers that these measures provide valuable additional information to investors and the company's management as they enable evaluation of the company's performance. Since not all companies calculate financial performance measures in the same way, these are not always comparable with performance measures used by other companies. These financial performance measures should therefore not be seen as a substitute for measures defined in accordance with IFRS. Measures that are not defined in accordance with IFRS and reconciliation of the measures are presented below.

		2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
A	Net sales	218 665	179 423	262 955
	Change in inventories during manufacture and finished goods	-602	-592	-2 319
	Goods for resale, raw materials and consumables	-75 902	-62 266	-85 637
B	**Gross profit**	142 161	116 565	174 999
C	Operating profit (EBIT)	-13 604	-27	2 685
	Depreciation of property, plant and equipment and amortisation of intangible assets	-17 829	-12 566	-19 747
D	**EBITDA**	4 225	12 539	22 432
	Non-recurring costs attributable to acquisitions	8 312	9 270	13 619
	Restructuring cost	9 321	-	-
E	**Adjusted EBITDA**	21 858	21 809	36 051
	Adjusted EBITDA (rolling 12 m)	36 110		36 051
(B/A)	**Gross profit margin, %**	65,0	65,0	66,6
(C/A)	**EBIT margin, %**	-6,2	0,0	1,0
(D/A)	**EBITDA margin, %**	1,9	7,0	8,5
(E/A)	**Adjusted EBITDA margin, %**	10,0	12,2	13,7

Return on equity, %

		2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
(A)	Net profit for the year	-17 766	-5 672	-6 799
(B)	Opening equity for the period	217 950	106 119	106 119
(C)	Closing equity for the period	194 520	228 337	217 950
D	**Average equity**	206 235	167 228	162 035
(A)/(D)	**Return on equity, %**	-8,6	-3,4	-4,2

Equity ratio, %

		30.09.2020	30.09.2019	31.12.2019
(A)	Equity	194 520	228 337	217 950
(B)	Balance sheet total	345 472	406 417	386 443
(A/B)	**Equity ratio, %**	56,3	56,2	56,4

Net debt

		2020 Jan-Sept	2019 Jan-Sept	2019 Jan-Dec
	Liabilities to credit institutions	45 151	59 437	55 962
	Lease liabilities	6 274	25 059	22 396
	Additional purchase consideration	2 108	2 066	2 070
	Cash	-48 754	-43 914	-41 293
(A)	**Net debt (-) receivable**	4 779	42 648	39 135
(A)/(E)	**Net debt/adjusted EBITDA, multiple (rolling 12 m)**	0,1		1,1