

TagMaster

QUARTERLY REPORT FOR TAGMASTER AB January - March 2013

Significant improvement of the result and increased sales

First quarter

- Project work for Alstom in France providing good income
- Net sales 14,6 MSEK (9,5), corresponding to a growth of 54 %, of which project work was 26 %
- Result before depreciation (EBITDA) increased to 1,9 MSEK (0,3), which is the best result ever for a single quarter
- Net resultat was 1,5 MSEK (-0,2)
- Result per share was 0,01 SEK (0,00)
- Cash flow from the business was -0,5 MSEK (-3,1)

Sales and result

TSEK	First quarter			Full year		
	2013	2012	Change	2012	2011	Change
Sales	14 597	9 505	54%	39 616	34 190	16%
Result from sales (EBITDA)	1 940	257	655%	154	-9 524	-102%
Margin from sales(EBITDA)	13,3%	2,7%		0,4%	-27,9%	
Result before tax	1517	-214	-809%	-5 466	-13 265	-59%
Operational cash flow	-469	-3101	-85%	-379	-4 677	-90%
Result per share	0,01	0		-0,05	-0,16	-68%

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced radio frequency identification (RFID) systems and information products for demanding environments. Application areas include vehicle access control, rail bound transportation and logistics , in order to increase efficiency, security, convenience and to decrease environmental impact. TagMaster has dedicated agencies in the US and in China and exports mainly to Europe, Middle East, Asia and North America via a global network of partners, systems integrators and distributors. TagMaster was founded in 1994 and has its headquarters in Stockholm. TagMaster is a public company and its shares are traded on First North stock exchange in Stockholm, Sweden.

www.tagmaster.com

Comments by the CEO

Our positive sales development at the end of last year continued during the first months of 2013 where we saw especially an increased demand for our Access/Parking products. Our Transportation business has shown a slower order intake, but we have on the other side worked intensively with our new project together with Alstom in France, which we have expectations it should lead to future complimentary business. From the sales during the period 2,5 MSEK (0) was from project work with a lower margin than our product sales, but it is worth noting that project business in the future will lead to product sales.

The result has improved significantly to 1,9 MSEK (0,3) and it is the best result for a single quarter ever in the company history. The improvement is a consequence of increased sales and good cost control as a result of our increased focus. Also the cash flow has improved to -0,5 MSEK (-3,1) and we are in a much better situation than we were a year ago.

We do, however, have a long way to go and there will be many obstacles on the road which will influence our future quarterly figures, which have not yet a stable base. After many years of lack of focus and stagnation for TagMaster there is a lot of work left to do with more or less all our processes to convert the company to a growth company. We have during the first quarter started our ISO certification (ISO 9001), which will focus much on increasing precision and speed in our internal processes and on making them scalable to build for future growth.

We have also after many years of lack of new development been able to start the innovative work on new products within UHF which will strengthen our offering of identification solutions for the important Access/Parking market and we expect to be able to launch a new product line by the end of the year. Within Transportation we have started together with our customers to look at how we could strengthen our offering with tags for ultra-long life (>20 years).

Jonas Svensson
CEO

Comments to the result and to the balance sheet

Sales and result

During the quarter increased sales has been noted. Net sales for the period was 14,6 MSEK (9,5), an increase with 54% of which project work for Alstom was 26%. Result before depreciations (EBITDA) was 1,9 MSEK (0,3) corresponding to a margin of 13,3 % (2,7).

Costs during the quarter were 6,8 MSEK (5,1). From the costs (other external costs) a big share is from the Alstom project and without these costs the costs are very similar to last year. No activation of direct development costs has been made.

Cash flow and financial position

As per March 31, 2013 liquidity is 2,4 MSEK (1,6). The revolving credit is 4,0 MSEK (4,0) and locked funds were 0,5 MSEK (0,5). Solidity was at the end of the period 27,7 % (29,2). Cash flow from the business was for the period -0,5 MSEK (-3,1)

The liquidity of the company has improved during the first quarter after a very challenging situation during the first half of 2012. The main reasons for the improvement are increased profitable sales and improved cost control.

Liquidity planning is based on regular follow up of costs and income including a detailed analysis of the cash flow for the next coming period. Liquidity and cash flow are priorities in the daily work and the dialogue with financiers, suppliers and customers is continuous. The board therefore today consider that the company has sufficient liquidity for the coming 12 months.

Accounts receivable were 9,2 MSEK (6,1) and supplier debts were 5,7 MSEK (4,2). The stock was 5,6 MSEK (7,2), as per March 31, 2013.

Activities during the quarter

Access/Parking (AVI): The efforts to identify and engage distributors in some of our most important markets, which resulted in some first agreements during the fourth quarter 2012 has continued during the first quarter and new agreements have been settled, among others for the Middle East region. TagMaster will through this be able to reach more integrators and thereby come into more projects with less own efforts. A corner stone in our strategy is to focus more on the geographical markets where we already are present and we have during the period, together with our partner in North America started a work to increase our presence in this market, the world's largest RFID market. With more sales resources in this segment we will also be able to increase our presence at existing and new customers, which should lead to increased sales in the future.

Transportation: Order intake during the period has been lower during the period but several new development projects are discussed with existing as well as potential new partners. One big project, which has become real is the already mentioned project for Alstom in France and which once more

shows that our product offering is unique and that big well known players in rail transport ask for our application knowledge. It is worth noting that Trafikverkets (before Banverket) first volume order for a system to identify rolling stock carrying goods has been delivered from TagMaster and that the installation is in progress.

Activities after the end of the period: Mid April TagMaster participated at ISC West, a leading security show in Las Vegas, USA and at MetroRail which was held in Madrid this year.

Employees, organisation and personell

The number of employees at TagMaster AB was at the end of the period 12 (11). The average number of employees was 12 (11).

Looking forward

The future outlook is unchanged and the company has good opportunities to grow in Access/Parking as well as in Transportation. TagMaster's market share is still small in a large and growing market which means that future growth depends mainly on the company's own ability. To meet the demand from the market and to take back the position as the leading supplier of advanced RFID solutions, TagMaster will continue to develop and launch innovative products, develop and extend existing partner networks and recruit more competent personnel. In the beginning of February the sales force was strengthened with an experienced sales person in Access/Parking and in April the development department will be further strengthened.

About reporting 2013

TagMaster AB with daughter company TagMaster SB has until the third quarter 2012 been reported as a Group. Since the daughter company TagMaster SB was divested per November 30, 2012, only the TagMaster AB figures for the first quarter and for the full year 2012 are reported.

Annual General Meeting (AGM) 2013

The AGM will be held Thursday April 18 at 15.00 at Middlepoint, Kronborgsgränd 1, Kista

Coming reports 2013-14

8 August, 2013, quarterly report April-June 2013

24 October, 2013, quarterly report July-September 2013

13 February, 2014, quarterly report October-December and year-end report 2013

The AGM 2014 is proposed to take place on April 24, 2014

For more information, please contact

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RESULT (SEK 000)	Q1	Q1	Full year
TagMaster AB (publ)	2013	2012	2012
Net revenue products	12 078	9 505	39 616
Project revenue	2 519		
Other revenue	0	64	64
TOTAL REVENUE	14 597	9 569	39 681
<i>Costs</i>			
Purchased goods	-5 512	-3 989	-16 881
Other external costs	-3 798	-2 555	-12 050
Personnel costs	-3 018	-2 540 ¹	-10 317
Other costs	-166	-228	-185
Items affecting comparability	-163 ²	0	-94
RESULT BEFORE DEPRECIATION (EBITDA)	1 940	257	154
Depreciation	-354	-363	-1 283
RESULT AFTER DEPRECIATION (EBIT)	1 586	-106	-1 130
<i>Financial income and costs</i>			
Interest and financial costs	-69	-108	-141
Depreciation of shares and debts daughter companies		0	-4 195
TOTAL FINANCIAL INCOME AND COSTS	-69	-108	-4 336
PERIODIC RESULT	1 517	-214	-5 466
RESULT PER SHARE	0,01	0	-0,05
NUMBER OF SHARES, average	107 731 708	95 369 736	102 695 031
NUMBER OF SHARES, end of period	107 731 708	95 369 736	107 731 708

¹The corresponding period Q1 2012 has been adjusted compared to previously reported figures by an increase of personnel costs of 264 tkr. This cost has previously been booked in Q2 2012. The adjustment has been done to improve comparability between the quarters.

²Tax addition from year 2011 declaration

Balance sheet	2013-03-31	2012-03-31	2012-12-31
ASSETS			
<i>Fixed assets</i>			
Balanced expenditure for development costs	1 254	2 446	1 578
<i>Tangible assets</i>			
Inventory, tools and installations	227	225	257
<i>Financial assets</i>			
Shares in daughter companies	100	3 109	100
Total fixed assets	1 581	5 780	1 935
<i>Current assets</i>			
<i>Stock</i>			
Goods for sale	5 624	7 248	5 777
<i>Short term claims</i>			
Accounts receivable	9 202	6 136	4 419
Claims on Group companies	0	781	0
Other short term claims	1 135	701	1 183
Current tax claims	547	494	430
Prepaid costs and work in progress	863	782	519
Cash and bank	1 304	514	1 607
Total current assets	18 675	16 656	13 934
TOTAL ASSETS	20 256	22 436	15 869
OWN CAPITAL AND DEBT	2013-03-31	2012-03-31	2012-12-31
<i>Own capital</i>			
Share capital	10 773	9 536	10 773
Bound reserves	42 967	42 967	42 967
Share premium reserves	20 803	19 241	20 803
Balanced loss	-70 453	-64 987	-64 987
Result from the period	1 517	-214	-5 466
Total own capital	5 607	6 543	4 090
Provisions	31	31	31
Total provisions	31	31	31
Other debts	522	783	587
Debts to Group companies	93	93	93
Total long term debts	615	876	680
<i>Short term debts</i>			
Credit facility	1 991	2 956	1 760
Accounts payable	5 711	4 183	3 625
Short term loans	0	2 932	0
Tax debts			
Other short term debts	784	615	1 202
Accrued cost and prepaid income	5 517	4 300	4 480
Total short term debts	14 003	14 986	11 068
TOTAL OWN CAPITAL AND DEBTS	20 256	22 436	15 869
SECURITIES AND CONTINGENT LIABILITIES			
Liabilities	7512	7 512	7 512
Pledged assets	None	None	None

CASH FLOW ANALYSIS (SEK 000)			
TagMaster AB (publ)	Q1 2013	Q1 2012	Full year 2012
FROM ORDINARY BUSINESS			
Result before financials	1 586	-106	-1 130
Depreciations	354	363	1 283
Other non cash influencing costs			10
Received interest			0
Paid interest and finance costs	-69	-108	-141
Increase/decrease stock	153	1 059	2 530
Increase/decrease accounts receivable	-4 783	-2 259	-542
Increase/decrease other short term receivables	-413	615	140
Increase/decrease supplier debts	2 086	-1 319	-1 877
Increase/decrease other short term debts	617	-1 345	-652
Cash flow from ordinary business	-469	-3 100	-379
INVESTMENT ACTIVITIES			
Investment in tangible assets	0	0	-179
Cash flow from investment activities	0	0	-179
FINANCING ACTIVITY			
New loans	231	3 014	1 760
Amortization of loans	-65	-65	-260
Cash flow from finance	166	2 949	1 500
PERIODIC CASH FLOW	-303	-151	942
Cash at the beginning of the period	1 607	665	665
Cash at the end of the period	1 304	514	1 607
Cash including not used credits	2413	1 558	3 846

CHANGE IN OWN CAPITAL (SEK 000)					
TagMaster AB (publ)	Share capital	Bound reserves	Share premium reserve	Balanced result	Total own capital
Own capital 2011-12-31	9 536	42 967	19 241	-64 987	6 756
Period result				-5 466	-5 466
Prioritized emission	1 237		1 562		2 799
Own capital 2012-12-31	10 773	42 967	20 803	-70 453	4 090
Periodic result				1 517	1 517
Own capital 2013-03-31	10 773	42 967	20 803	-68 936	5 607

Accounting principles

Applied accounting and valuation principles are according to “Årsredovisningslagen” and according to expressed and general advice from the Accounting Committee. For interim reports BFNAR 2007:1 is applied. The same accounting principles have been applied as in the latest published annual report.

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2012 under the section Risks and risk amangement.

This report has not been reviewed by the company auditor.

The information is published on April 18 at 09.00 CET.

The board and the CEO assure that this report is giving a correct overview of the Company, its business, position and result as well as it is describing major risks and uncertainties, which the Company is seeing ahead.

Kista April 18, 2013

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO