

TagMaster

QUARTERLY REPORT FOR TAGMASTER AB January-March 2015

Continued growth with increasing profits

First quarter

- Net sales increased by 33% during the first quarter and was 19,2 MSEK (14,5)
- Result before depreciation (EBITDA) was 2,6 MSEK (1,6), corresponding to a margin of 13,7% (10,7)
- Net result was 2,0 MSEK (1,1)
- Result per share was 0,02 (0,01)
- Cash flow from the business for the period January-March was 3,4 MSEK

Försäljning och resultat

TSEK	First quarter			Full year		
	2014	2013	Change	2014	2013	Change
Sales	19 234	14 506	33%	62 505	50 196	25%
Operating income (EBITDA)	2 631	1 556	69%	7 084	2 776	155%
Operating margin (EBITDA)	13,7%	10,7%		11,3%	5,5%	
Income before tax	2 601	1 431	82%	6 740	2 380	183%
Operating cash flow	3 366	-1 667	-302%	7 917	-1 209	-755%
Earnings per share	0,02	0,01	100%	0,05	0,02	

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced radio frequency identification (RFID) products and systems for demanding environments. Business areas include Traffic Solutions and Rail Solutions providing innovative applications 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. For more information about TagMaster, please visit www.tagmaster.com

Comments by the CEO

Our sales during the first quarter have had a continued growth and we show once again a record turnover for a single quarter.

Our Rail business has been somewhat slower during the period, but still with an even flow of serial deliveries to several customers. We know by experience that our rail market is volatile by its character with major shifts between years. New projects are discussed and our focus is to work more and tighter with our already established big partners, with whom we want to expand our business and become a more important business partner for them. We make the judgment that we will see some more new projects coming during 2015 and with serial deliveries during coming years. As we have said before we have made the judgment that our product offering is most successful in certain specific applications and we will therefore “drill deeper” in these applications and spend less time on the requests regarding our less efficient offerings. This work is in progress and being a small company it is extremely important that we focus on the right things and especially within Rail Solutions where the projects are complex, project specific and always demanding major resources.

Our Traffic business has continued to develop well in the US market, but also India has been a good market during the quarter. We have since a long time a good partner in India and we see that our brand has strength in more complex projects like toll roads, high security access etcetera. In the EMEA region the sales has been according to plan, but we intend to increase our efforts there during 2015 supported by our newly launched UHF products and which we judge will have a positive impact on sales and margin during the years to come. In the Nordic market we increase our presence and we start to see that our new UHF readers are well received among established as well as new partners. We generally need to grow our customer base in all our regions within Traffic solutions to be able to grow in the pace we want to and we can see during the quarter that our focused work generates in the turnover of Traffic Solutions and in new customers.

The innovation work will continue with increasing speed and we plan to launch more products in our new UHF family during the summer. In focus for our product innovation we have the customer's need for security and safety, reliability, functionality, design and life cycle cost. Our judgment is that further launches is a must and that we thereby will increase our addressable market and this is a fundamental requisite for increasing our growth. To support our long term growth plans we continue to recruit new employees in especially technical development.

Our quarterly result of 2,6 MSEK (1,6), is a strong improvement compared to previous year. In summary we are happy about both increase in turnover and in result, but we want more going ahead. Our cash flow has developed well during the quarter which is also reflected in a significantly stronger balance sheet.

We would, however, like to remind about that we are still a small company and fluctuations between quarters is still a reality and where our chosen strategy among others should serve the purpose to grow faster (through acquisitions) and build a bigger and more predictable company.

Jonas Svensson

CEO

Comments to the result and balance sheet

Turnover and result

During the quarter sales increased. Net sales for the period January-March was 19,2 MSEK (14,5) an increase by 33%. The result (EBITDA) was 2,6 MSEK (1,6) which corresponds to a margin of 13,7% (10,7).

Costs during the quarter were 7,1 MSEK (6,5). No activation of development costs has been made.

Cash flow and financial position

As per March 31, 2015 available liquidity was 17,2 MSEK (2,5). The revolving credit is 8,0 MSEK (6,0), an increase by 2 MSEK. Solidity was at the end of the period 50,7 % (39,1). Cash flow from the running business was for the period 3,4 MSEK (-1,7).

Our cash position has improved substantially as a result of our improving profits.

Accounts receivable were 10,6 MSEK (10,1) and accounts payable were 5,6 MSEK (5,9). The inventories were 6,7 MSEK (6,6), all as per March 31 2015.

Business during the quarter

Traffic Solutions (Access/Parking): We continue our work and efforts with the partner program to identify and engage more partners in some of our most important markets. A corner stone in our strategy is to focus more on the geographical markets where we already have a presence and we have during the period, together with our local partner in North America been successful and more customers have seen the advantages of our products and the nearby service we offer. We continue to actively build our brand being present at several fairs in this market, the world's largest RFID market. We also continue the work to strengthen our presence in our Nordic "home markets" where we think we have a good opportunity for profitable growth during the years to come. Generally we work on our increasing our market presence in all our focus markets through participation in several fairs in the Nordics as well as Europe and the Middle East. We have during the quarter had major deliveries to the Indian market to high profile customers, to whom we also sold back in 2010, which reflects the long term customer relations we strive for. In our new product family in the UHF area, we have started a work to make a version especially focused on the toll road market (ETC) and where a certain test sales already has been made in the Indian market. Toll roads is a fast growing market segment and we judge our product offering as one that could take on a strong position. We see that our increased and enforced product offering will create good ground for increased growth and during 2015 we plan to launch several products within our new UHF family.

Rail Solutions: The segment has had a somewhat slower period with a lower level of serial deliveries, but with an even flow to our main customers. It is obvious that our value offering has become stronger with our new business model where we can offer to our Rail customers to share our know-

how and application knowledge also in project form. We already today have a growing share of our Rail Solutions business in project sales and we see our relations developing positively while we at the same time get access to further revenue streams and thereby also increase our business. We also see that our clear focus towards signal system suppliers is successful and several new development projects are under discussion at present with existing customers but also with potentially new partners in this segment. By experience we, however, know that lead times are long before discussions materialize into business and even longer before invoicing.

Employees, Organization and personnel

The number of employees in TagMaster AB was at the end of the period 17 (13). The average number of employees was 17 (13).

Future outlook

The future outlook is unchanged and the company has good growth opportunities in Traffic Solutions as well as in Rail Solutions. TagMaster's market share is still small in a growing market, which means that future growth mainly depends on the company's own ability. We will see periods ahead of us when the result development will stop momentarily because we invest in future growth, which means costs may come before the revenue. To meet the demand and to take back the position as market leading supplier of advanced RFID solutions, TagMaster will continue to develop and launch new innovative products, develop and expand its partner networks and recruit further competent personnel. We now also see our basic business, advanced RFID to demanding customers in Rail and Traffic, showing strength and we have therefore started to actively look for products, partners and companies which in different ways could complement our offering to the market, mainly within Traffic Solutions.

Coming reports 2015-16

Quarter 2 report	July 16, 2015
Quarter 3 report	October 22, 2015
Year - end report 2015	January 28. 2016

This report like all previous economic reports can be found at the company home page

www.tagmaster.com

For further information, please contact:

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

RESULT (SEK 000)	Q1	Q1	Full year
TagMaster AB (publ)	2015	2014	2014
Net revenue	19 234	14 506	62 505
Other revenue	0	0	47
TOTAL REVENUE	19 234	14 506	62 552
<i>Costs</i>			
Purchased goods	-9 167	-6 323	-28 842
Other external costs	-2 957	-2 632	-11 726
Personnel costs	-4 143	-3 843	-14 900
Other costs	-336	-152	0
RESULT BEFORE DEPRECIATION (EBITDA)	2 631	1 556	7 084
Depreciations	-8	-26	-170
RESULT AFTER DEPRECIATIONS (EBIT)	2 623	1 530	6 914
<i>Financial income and costs</i>			
Depreciation of shares and debts daughter companies	0	0	0
Interest income	0	0	2
Interest and financial costs	-22	-99	-176
TOTAL FINANCIAL INCOME AND COST	-22	-99	-174
RESULT BEFORE TAX	2 601	1 431	6 740
Tax	-575	-317	-1 512
PERIODIC RESULT	2 026	1 114	5 228
RESULT PER SHARE	0,02	0,01	0,05
NUMBER OF SHARES, average	107 731 708	107 731 708	107 731 708
NUMBER OF SHARES, end of period	107 731 708	107 731 708	107 731 708

Balance sheet	2015-03-31	2014-03-31	2014-12-31
ASSETS			
Fixed assets			
Balanced expenditure for development costs	0	0	0
<i>Tangible assets</i>			
Inventory, tools and installations	84	236	92
<i>Financial assets</i>			
Postponed tax claim	1 286	3 056	1 861
Total fixed assets	1 370	3 292	1 953
Current assets			
<i>Stock</i>			
Goods for sale	6 709	6 629	6 807
<i>Short term claims</i>			
Accounts receivable	10 594	10 083	9 184
Other short term claims	983	1 245	1 308
Current tax claims	546	546	429
Prepaid costs and work in progress	1 185	1 148	767
Cash and bank	9 235	1 031	5 869
Total current assets	29 252	20 682	24 364
TOTAL ASSETS	30 622	23 974	26 317
OWN CAPITAL AND DEBT	2015-03-31	2014-03-31	2014-12-31
Own capital			
Share capital	5 386	5 386	5 386
Bound reserves	216	42 967	216
Share premium reserve	0	20 803	0
Balanced loss	7 891	-60 891	2 663
Result from the period	2 026	1 114	1 753
Total own capital	15 519	9 379	13 493
Provisions	543	0	543
Total provisions	543	0	543
Long term debts	0	261	0
Total long term debts	0	261	0
Short term debts			
Credit facility	0	4 485	0
Accounts payable	5 577	5 902	4 955
Other short term debts	701	308	476
Accrued costs and prepaid income	8 282	3 639	6 850
Total short term debts	14 560	14 334	12 281
TOTAL OWN CAPITAL AND DEBTS	30 622	23 974	26 317
SECURITIES AND CONTINGENT LIABILITIES			
Liabilities	8 000	8 000	8 000
Pledged assets	None	None	None

CASHFLOW ANALYSIS (SEK 000)			
TagMaster AB (publ)	Q1 2015	Q1 2014	Full year 2014
FROM ORDINARY BUSINESS			
Result before depreciation and financial costs	2623	1 530	6 914
Depreciations	8	26	170
Other noncash influencing costs	0	0	543
Received interest	0	0	2
Paid interest and financial costs	-22	-99	-176
Increas/decrease stock	98	-619	-797
Increase/decrease accounts receivable	-1410	-886	13
Increase/decrease other short term receivables	-210	-719	326
Increase/decrease supplier debts	622	-1 296	-2 853
Increas/decrease other short term debts	1657	396	3 775
Cashflow from ordinary business	3 366	-1 667	7 917
INVESTMENT ACTIVITIES			
Investment in tangible assets	0	0	0
Cashflow from investment activities	0	0	0
FINANCING ACTIVITY			
New loans	0	1 366	0
Amortization of loans	0	-65	-3 445
Cashflow from finance activities	0	1 301	-3 445
PERIODIC CASHFLOW	3 366	-366	4 472
Cash at the beginning of the period	5869	1 397	1 397
Cash at the end of the period	9235	1 031	5 869

CHANGE IN OWN CAPITAL (SEK 000)					
TagMaster AB (publ)	Share capital	Bound reserves	Share premium reserve	Balanced result Incl. Result of the year	Total own capital
Own capital 2013-12-31	5 386	42 967	20 803	-60 891	8 265
Reduction bound reserves		-42 751		42 751	
Reduction share premium reserve			-20 803	20 803	
Result of the year				5 228	5 228
Own capital 2014-12-31	5 386	216	0	7 891	13 493
Periodic result				2 026	2 026
Own capital 2015-03-31	5 386	216	0	9 917	15 519

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 2012:1 (K3) is applied, which influence comparable figures for postponed tax, depreciations and own capital. This is described more extensively in the Annual report 2014.

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2014 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on April 23 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 23, 2015

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO