

TagMaster

FINANCIAL REPORT FOR TAGMASTER AB (publ.) January-June 2014

Sales increase continues and with a robust improvement of the result

Second quarter

- Net sales increased by 45% during the second quarter and was 16,4 MSEK (11,3)
- Result before depreciation (EBITDA) was 2,2 MSEK (0,2), corresponding to a margin of 13,1% (1,6)
- Net result was 1,9 MSEK (-0,2)
- Result per share was 0,02 (0,00)

First half year

- Net sales increased during the period by 16% to 30,7 MSEK (25,7)
- Result before depreciation (EBITDA) increased to 3,7 MSEK (2,1), which corresponds to a margin of 12,1% (8,3)
- Net result was 3,2 MSEK (1,3)
- Result per share was 0,03 (0,01)
- Cash flow from the business was 1,2 MSEK (-2,6)

Sales and income

TSEK	Second quarter			First half year			Full year		
	2014	2013	Change	2014	2013	Change	2013	2012	Change
Sales	16 381	11 273	45%	30 735	25 704	20%	50 344	39 681	27%
Operating income (EBITDA)	2154	183	1077%	3710	2123	75%	2 776	154	1703%
Operating margin (EBITDA)	13,1%	1,6%		12,1%	8,3%		5,5%	0,4%	
Income before tax	1902	-193	-1085%	3156	1324	138%	1 512	-5 466	-128%
Operating cash flow	1213	-2110	-157%	-454	-2579	-82%	-1 209	-379	219%
Earnings per share	0,02	0		0,03	0,01	200%	0,01	-0,05	-120%

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 sales during the second quarter have seen a good growth on the total level and with one more positive quarterly result we feel the stability of our business increasing. We are not satisfied with all parts of our growth, which we would like to improve further during the year. Our Rail business has been good with an even flow of serial deliveries to several customers. 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 expect some more new projects coming during the year. We have after analyzing the business made the judgment that our product offering is most efficient in certain applications and we will therefore “drill deeper” in these applications and spend less time on the requests regarding our less efficient offerings. Being a small company it is important that we focus on the right things and especially in Rail Solutions where the projects are complex, project specific and always demanding major resources.

Our Traffic business has developed good in the US market, while it has been somewhat weaker in the Asian market, where mainly China has been weak. In the EMEA region the sales has been according to plan, but we intend to increase our efforts there supported by our new UHF products recently launched and which we judge will have a positive impact on sales and result during the second half of the year. In the Nordic market we increase our presence and we already see that our new UHF reader find a great interest among established as well as new partners.

The innovation work will continue and we plan to launch more products in our new UHF family at the end of the year. 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 will increase our addressable market and this is a fundamental requisite for increasing our growth.

Our result of 2,2 MSEK (0,2), is historically very good and I think we should be pleased by the quarterly result even if we are not satisfied and would like to see more ahead. As we have said before we are still in a change period and this will impose our stability and our quarterly figures during the quarters to come and the third quarter is known to be our seasonally weakest quarter.

Our new UHF products will contribute with the major part of our growth the next few years to come, but we also see selective acquisitions as a way to complement our product portfolio in Traffic Solutions with the purpose to increase the value and the attraction of our customer offering. Parallel to development of new products we study different complementary products within Traffic Solutions as well as companies which could form a complement to our existing business.

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 16,4 MSEK (11,3). The result (EBITDA) was 2,2 MSEK (0,2) which corresponds to a margin of 13,1% (1,6).

Costs during the quarter were 7,2 MSEK (6,9). No activation of development costs has been made.

Cash flow and financial position

As per June 30, 2014 available liquidity was 3,7 MSEK (1,2). The revolving credit is 6,0 MSEK (4,0). Solidity was at the end of the period 37,9 % (26,7). Cash flow from the running business was for the period -0,5 MSEK (-2,6).

The liquidity during the period has been influenced by increasing accounts receivable binding more capital in the business. At the end of the quarter also a certain build-up of stock has been made to enable deliveries in the period when some of the main suppliers to the company are closed. Generally liquidity has, however, improved as a consequence of our increased profits.

Liquidity and cash flow are priorities in the daily work and the dialogue with creditors, suppliers and customers is continuous. The board therefore today makes the judgment that the company has sufficient liquidity for the coming 12 months.

Accounts receivable were 11,0 MSEK (7,5) and accounts payable were 5,1 MSEK (6,0). The inventories were 7,9 MSEK (8,3), all as per June 30 2014..

Business during the quarter

Traffic Solutions (Access/Parking): We continue our work and efforts with the partner program to identify and engage more distributors 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 partner in North America, successfully continued our work to increase our presence in this market, the world's largest RFID market. We 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. The launch of our new product family in the UHF area has been well received and product deliveries of the XT1, the first product in the new family, has started during the second quarter. We see that our enforced product offering will create good ground for increased presence also in other European markets.

Rail Solutions: The segment has had a good period with a high level of serial deliveries to Alstom and Bombardier. It is obvious that our value offering is becoming stronger with our new model where we 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 and our ambition is to come in even earlier in the projects and thereby add value for our Rail customers while we also get additional income streams and a growing

business. Several new development projects are discussed with existing as well as potentially new partners, but by experience we know that lead times can be 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 14 (13). The average number of employees was 14 (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 growing market, which means that future growth mainly depends on the company's own ability. 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 existing 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 2014-15

Quarter 3 July-September 2014	October 23, 2014
Year-end report	February 5, 2015

This report like all previous economic reports can be found at the company home page www.tagmaster.com

For further information, please contact:

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RESULT (SEK 000)	Q2	Q2	Q1-Q2	Q1-Q2	Full year
TagMaster AB (publ)	2014	2013	2014	2013	2013
Net revenue	16 137	8 618	30 643	20 696	50 196
Project revenue	0	2 302	0	4 821	0
Other revenue	244	353	92	187	148
TOTAL REVENUE	16 381	11 273	30 735	25 704	50 344
<i>Costs</i>					
Purchased goods	-7 001	-4 171	-13 324	-9 683	-20 811
Other external costs	-3 282	-3 422	-5 914	-7 220	-13 587
Personnel costs	-3 944	-3 497	-7 787	-6 515	-13 007
Other costs	0	0	0	0	0
Items affecting comparability	0	0	0	-163	-163
RESULT BEFORE DEPRECIATION (EBITDA)	2 154	183	3 710	2 123	2 776
Depreciations	-194	-324	-397	-678	-961
RESULT AFTER DEPRECIATIONS (EBIT)	1 960	-141	3 313	1 445	1 815
<i>Financial income and costs</i>					
Interest income	0	0	0	0	1
Interest and financial costs	-58	-52	-157	-121	-297
Depreciation of shares and debts daughter companies					-7
TOTAL FINANCIAL INCOME AND COSTS	-58	-52	-157	-121	-303
PERIODIC RESULT	1 902	-193	3 156	1 324	1 512
RESULT PER SHARE	0,02	0,00	0,03	0,01	0,01
NUMBER OF SHARES, average	107 731 708	107 731 708	107 731 708	107 731 708	107 731 708
NUMBER OF SHARES, end of period	107 731 708	107 731 708	107 731 708	107 731 708	107 731 708

Balance sheet	2014-06-30	2013-06-30	2013-12-31
ASSETS			
Fixed assets			
Balanced expenditure for development costs	355	959	710
<i>Tangible assets</i>			
Inventory, tools and installations	220	198	262
<i>Finacial assets</i>			
Shares in daughter companies	0	100	0
Total fixed assets	575	1 257	972
Current assets			
<i>Stock</i>			
Goods for sale	7 858	8 293	6 010
<i>Short term claims</i>			
Accounts receivable	11 024	7 256	9 197
Other short term claims	1 069	1 467	1 023
Current tax claims	662	625	429
Prepaid costs and work in progress	709	705	1 378
Cash and bank	1 230	654	1 397
Total current assets	22 552	19 000	19 434
TOTAL ASSETS	23 127	20 257	20 406
OWN CAPITAL AND DEBT	2014-06-30	2013-06-30	2013-12-31
Own capital			
Share capital	5 386	5 387	5 386
Bound reserves	42 967	42 967	42 967
Share premium reserve	20 803	20 803	20 803
Balanced loss	-63 554	-65 066	-65 066
Result from the period	3 156	1 324	1 512
Total own capital	8 758	5 415	5 602
Long term debts	196	457	326
Debts to group companies	0	93	0
Total long term debts	196	550	326
Short term debts			
Credit facility	3 536	3 516	3 119
Accounts payable	5 113	6 022	7 808
Other short term debts	528	638	415
Accrued cost and prepaid income	4 996	4 116	3 136
Total short term debts	14 173	14 292	14 478
TOTAL OWN CAPITAL AND DEBTS	23 127	20 257	20 406
SECURITIES AND CONTINGENT LIABILITIES			
Liabilities	7 512	7 512	7 512
Pledged assets	None	None	None

CASH FLOW ANALYSIS (SEK 000)			
TagMaster AB (publ)	Q1-Q2 2014	Q1-Q2 2013	Full year 2013
FROM ORDINARY BUSINESS			
Result before depreciation and financial costs	3 313	1 445	1 815
Depreciations	397	678	961
Other non cash influencing costs	0	-31	-31
Received interest			1
Paid interest and financial costs	-157	-121	-297
Increase/decrease stock	-1 848	-2 516	-233
Increase/decrease accounts receivable	-1 827	-2 837	-4 778
Increase/decrease other short term debts	390	-665	-698
Increase/decrease supplier debts	-2 695	2 396	4 182
Increase/decrease other short term debts	1 973	-928	-2 131
Cash flow from ordinary business	-454	-2 579	-1 209
INVESTMENT ACTIVITIES			
Investment in tangible assets	0	0	-99
Cash flow from investment activities	0	0	-99
FINANCING ACTIVITY			
New loans	417	1 756	1 359
Amortization of loans	-130	-130	-261
Cash flow from finance activities	287	1 626	1 098
PERIODIC CASH FLOW	-167	-953	-210
Cash at the beginning of the period	1 397	1 607	1 607
Cash at the end of the period	1 230	654	1 397
Cash including not used credits	3 694	1 138	2 278

CHANGE IN OWN CAPITAL (SEK 000)					
TagMaster AB (publ)					
	Share capital	Bound reserves	Share premium reserve	Balanced result	Total own capital
Own capital 2012-12-31	10 773	42 967	20 803	-70 453	4 090
Periodic result				1 512	1 512
Decrease in share capital	-5 387			5 387	
Own capital 2013-12-31	5 386	42 967	20 803	-63 554	5 602
Periodic result				3 156	3 156
Own capital 2014-06-30	5 386	42 967	20 803	-60 398	8 758

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 2013 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on July 17 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 July 17, 2014

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO