

TagMaster

QUARTERLY REPORT FOR TAGMASTER AB July - September 2013

Continued sales increase with profit

Third quarter

- Net sales increased during the third quarter by 13% to 11,2 MSEK (9,8)
- Result before depreciation (EBITDA) was 0,4 MSEK (0,5)
- Net result was 0,01 (-2,9)
- Result per share was 0,00 SEK (-0,03)
- Cash flow from the business was 0,8 MSEK (-0,1)

January - September

- Net sales increased during the period by 24% to 36,7 MSEK (29,6)
- Result before depreciation (EBITDA) increased to 2,5 MSEK (1,1)
- Net result was 1,3 MSEK (-3,0)
- Result per share was 0,01 (-0,03)
- Cash flow from the business was -1,8 MSEK (-2,4)

Sales and result

TSEK	Third quarter			Accumulated to September		
	2013	2012	Change	2013	2012	Change
Sales	11 173	9 848	13%	36 690	29637	24%
Result from sales (EBITDA)	419	521	-20%	2542	1137	124%
Margin from sales(EBITDA)	3,8%	5,3%		6,9%	3,8%	
Result before tax	13	-2861	-100%	1337	-2951	-145%
Operational cash flow	818	-121	-776%	-1761	-2392	-26%
Result per share	0	-0,03		0,01	-0,03	

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 has continued but we are still not satisfied with the growth rate. Our growth has been strong in the Asian region while Europe is still weak. Our investment in the very important North American market continues and we have during the period taken a number of important projects in Access/Parking for some major universities.

Our work on a new product family within UHF continues according to plan and we already see a great interest among our partners to get a wider offering from TagMaster. With our new product family we will be able to address a market segment where the growth rate is high and the launch will start during the end of the year and sales start will be in the first quarter of 2014. This is just a beginning of our development efforts to offer attractive and innovative products meeting the customer needs today and for the future.

During the period we have worked on strengthening our offering to the Transportation (Rail) business by clarifying the components of which our value adding offering is composed. Our delivery will for the future consist of consulting, products and service and we will thereby be able to increase the value for our customers by offering them the competence and experience we have consolidated over a number of years.

As we have said earlier, we are still in a mode of change which may influence the stability in our quarterly figures during a few more quarters ahead of us. Our profitability is still too low but we can see that all the initiatives we work with in different departments are producing good results which will also show up financially. We are on good way to show a profitable full year for TagMaster which is the first step in building a future growth company.

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 11,2 MSEK (9,8), an increase by 13%. Result before depreciations (EBITDA) was 0,4 MSEK (0,5) corresponding to a margin of 3,8 % (5,3).

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

Cash flow and financial position

As per September 30, 2013 liquidity was 1,9 MSEK (2,1). The revolving credit is 4,9 MSEK (4,0) and locked funds were 0,5 MSEK (0,5). Solidity was at the end of the period 30,0 % (34,5). Cash flow from the business was for the period -1,8 MSEK (-2,4)

The liquidity of the company has still been impacted negatively by payments for reservations made last year. The extra buildup of stock during the second quarter to meet demands during the summer period has been worked down during the period to more normal levels.

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 considers that the company has sufficient liquidity for the coming 12 months.

Accounts receivable were 5,9 MSEK (6,3) and supplier debts were 5,2 MSEK (4,0). The stock was 7,2 MSEK (6,4), as per September 30, 2013.

Activities during the quarter

Access/Parking (AVI): The sales in these segments have developed well compared to last year. We have the intention to increase our efforts by market activities and by finding more partners. We will also continue to identify and engage more distributors in further markets. TagMaster will thereby be able to reach more integrators and become part of more projects with less own investment. 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 continued our work together with our partner in North America to increase our presence in this market, the world's biggest RFID market. With more innovative products in this segment we will also be able to increase our presence with existing and new customers, which should lead to increased sales.

A segment which touches upon both Access/Parking and Rail is what is called Traffic solutions and which consist among others of solutions for toll roads, traffic optimization and "green flow" etc. Our product offering is matching well with what is asked for and our products are already used in an increasing number of projects in these categories. We have the intention to increase our knowledge within this segment to explore the business opportunities we think there are.

Transportation (Rail): The segment has had a lower order intake during the period, but many new deliveries and development projects are discussed, both with existing customers and with new potential partners. The Alstom project is running well and we expect to start product deliveries in the beginning of 2014. We are also involved in tests in further countries regarding goods wagon identification (earlier we have delivered to Trafikverket in Sweden) and for systems used for equipment maintenance.

Employees, organization and personnel

The number of employees at TagMaster AB was at the end of the period 14 (11). The average number of employees was 13 (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. As a company we are still in a period of change and the coming quarters will be uneven before we reach a more stable base for growth. To meet the demands in the market and to take back our position as the market leading supplier of advanced RFID solutions TagMaster will continue to develop and launch innovative products, develop and extend existing partner networks and recruit further competent personnel.

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 third quarter and for the year 2012 are reported.

Coming reports 2013-14

13 February, 2014, quarterly report October-December and year-end report 2013
Annual General meeting 2014 is proposed to take place April 24, 2014

This report and previous financial reports and press releases are to be found on the company home page www.tagmaster.com

For further information please contact:

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RESULT (SEK 000)	Q3	Q3	Q1-Q3	Q1-Q3	Full year
TagMaster AB (publ)	2013	2012	2013	2012	2012
Net revenue	11 173	9 848	36 690	29 573	39 616
Other revenue	0	0	0	64	64
TOTAL REVENUE	11 173	9 848	36 690	29 637	39 681
<i>Costs</i>					
Purchased goods	-4 844	-3 838	-14 527	-11 858	-16 881
Other external costs	-3 422	-2 653	-2 872	-9 873	-9 115
Personnel costs	-3 030	-2 261	-9 545	-7 012	-10 317
Other costs	-227	-356	-40	-421	-185
Items affecting comparability	0	0	-163	-94	-94
RESULT BEFORE DEPRECIATION (EBITDA)	419	521	2 542	1137	154
Depreciations	-315	-309	-993	-979	-1 283
RESULT AFTER DEPRECIATIONS (EBIT)	-104	212	1 549	158	-1 130
<i>Financial income and costs</i>					
Interest income	0	71	0	0	0
Interest and financial costs	-91	-64	-212	-100	-141
Depreciation of shares and debts daughter companies		-3009		-3009	-4195
TOTAL FINANCIAL INCOME AND COSTS	-91	-3073	-212	-3109	-4336
PERIODIC RESULT	13	-2861	1 337	-2951	-5 466
RESULT PER SHARE	0,00	-0,03	0,01	-0,03	-0,05
NUMBER OF SHARES, average	107 731 708	107 731 708	107 731 708	101 003884	102 695 031
NUMBER OF SHARES, end of period	107 731 708	107 731 708	107 731 708	107 731 708	107 731 708

Balance sheet	2013-09-30	2012-09-30	2012-12-31
ASSETS			
<i>Fixed assets</i>			
Balanced expenditure for development costs	670	1 862	1 578
<i>Tangible assets</i>			
Inventory, tools and installations	199	125	257
<i>Finacial assets</i>			
Shares in daughter companies	100	100	100
Total fixed assets	969	2 087	1 935
<i>Current assets</i>			
<i>Stock</i>			
Goods for sale	7 168	6 359	5 777
<i>Short term claims</i>			
Accounts receivable	5 893	6 347	4 419
Claims on Group companies	0	1 161	0
Other short term claims	1 071	705	1 183
Current tax claims	780	728	430
Prepaid costs and work in progress	1 046	647	519
Cash and bank	1 143	1 120	1 607
Total current assets	17 121	17 067	13 934
TOTAL ASSETS	18 090	19 154	15 869
OWN CAPITAL AND DEBT	2013-09-30	2012-09-30	2012-12-31
<i>Own capital</i>			
Share capital	5 387	10 773	10 773
Bound reserves	42 967	42 967	42 967
Share premium reserve	20 803	20 803	20 803
Balanced loss	-65 066	-64 987	-64 987
Result from the period	1 337	-2951	-5 466
Total own capital	5 428	6 605	4 090
Provisions	0	31	31
Total provisions	0	31	31
Other debts	391	652	587
Debts to Group companies	93	93	93
Total long term debts	484	745	680
<i>Short term debts</i>			
Credit facility	3 280	3 069	1 760
Accounts payable	5 183	4 038	3 625
Short term loans	0	0	0
Other short term debts	259	137	1 202
Accrued cost and prepaid income	3 456	4 529	4 480
Total short term debts	12 178	11 773	11 068
TOTAL OWN CAPITAL AND DEBTS	18 090	19 154	15 869
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-Q3 2013	Q1-Q3 2012	Full year 2012
FROM ORDINARY BUSINESS			
Result before financials	1 549	158	-1 130
Depreciations	993	979	1 283
Other non-cash influencing costs	-31	19	10
Received interest			0
Paid interest and financial costs	-212	-100	-141
Increase/decrease stock	-1 411	1 948	2 530
Increase/decrease accounts receivable	-1 474	-2 470	-542
Increase/decrease other short term receivables	-765	134	140
Increase/decrease supplier debts	1 558	-1 465	-1 877
Increase/decrease other short term debts	-1 968	-1 595	-652
Cash flow from ordinary business	-1 761	-2 392	-379
INVESTMENT ACTIVITIES			
Investment in tangible assets	-27	-26	-179
Cash flow from investment activities	-27	-26	-179
FINANCING ACTIVITY			
New loans	1 520	3 069	1 760
Amortization of loans	-196	-196	-260
Cash flow from finance activities	1 324	2 873	1 500
PERIODIC CASH FLOW	-464	455	942
Cash at the beginning of the period	1 607	665	665
Cash at the end of the period	1 143	1 120	1 607
Cash including not used credits	1 863	2 051	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
Periodic 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				1 337	1 337
Decrease in share capital	-5 386			5 387	1
Own capital 2013-09-30	5 387	42 967	20 803	-63 729	5 428

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 management.

This report has not been reviewed by the company auditor.

The information is published on October 24 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 October 23, 2013

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO