

TagMaster

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

Continued profitable growth

Third quarter

- Net sales increased by 17% during the third quarter and was 13,0 MSEK (11,2)
- Result before depreciation (EBITDA) was 1,4 MSEK (0,4), corresponding to a margin of 10,7% (3,8)
- Net result was 1,2 MSEK (0,0)
- Result per share was 0,01 (0,00)

January-September

- Net sales increased during the period by 19% to 43,8 MSEK (36,7)
- Result before depreciation (EBITDA) increased by 101% to 5,1 MSEK (2,5), which corresponds to a margin of 11,7% (6,9)
- Net result was 4,3 MSEK (1,3)
- Result per share was 0,04 (0,01)
- Cash flow from the business for the period January to September was 2,6 MSEK (-1,8)

Sales and income

TSEK	Third quarter			9 months			Full year		
	2014	2013	Change	2014	2013	Change	2013	2012	Change
Sales	13 039	11 173	17%	43 774	36 690	19%	50 344	39 681	27%
Operating income (EBITDA)	1 401	419	234%	5 111	2 542	101%	2 776	154	1703%
Operating margin (EBITDA)	10,7%	3,8%		11,7%	6,9%		5,5%	0,4%	
Income before tax	1 193	13	9077%	4 349	1 337	225%	1 512	-5 466	-128%
Operating cash flow	3 085	818	277%	2 631	-1 761	-249%	-1 209	-379	219%
Earnings per share	0,01	0		0,04	0,01	300%	0,01	-0,05	-120%

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 third 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 still not satisfied with all parts of our growth, which we would like to improve further ahead. Our Rail business has been somewhat slower during the period but 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 make the judgment that we will see some more new projects coming during the year. We have after analyzing the business 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. Being a small company it is very 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 developed good in the US market, while it has been somewhat weaker in the Chinese market. In the EMEA region the sales has been according to plan, but we intend to increase our efforts there supported by our newly launched UHF products and which we judge will have a positive impact on sales and result during the latter part of the year. In the Nordic market we increase our presence and we already see that our new UHF reader finds 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 early next 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 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 time growth plans we continue to recruit new employees in especially technical development.

Our result of 1,4 MSEK (0,4), is an improvement compared to last year and considering that the third quarter with the summer season is normally our weakest quarter, I think we should be pleased by the quarterly result even if we are not satisfied and would like to see more ahead. Our cash flow has developed well during the quarter which can also be seen in our improved balance sheet.

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 with the purpose to increase the value and the attraction of our customer offering.

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 13,0 MSEK (11,2) an increase by 17%. The result (EBITDA) was 1,4 MSEK (0,4) which corresponds to a margin of 10,7% (3,8).

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

Cash flow and financial position

As per September 30, 2014 available liquidity was 6,6 MSEK (1,9). The revolving credit is 6,0 MSEK (4,0). Solidity was at the end of the period 48,4 % (30,0). Cash flow from the running business was for the period 2,6 MSEK (-1,8).

Our cash position has improved substantially as a result of our improving 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 9,8 MSEK (5,9) and accounts payable were 4,0 MSEK (5,2). The inventories were 7,2 MSEK (7,2), all as per September 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 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. 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, are now regular in Europe as well as in the US. We see that our enforced product offering will create good ground for increased presence also in other European markets. During the security exhibition in Essen in September we launched our partnership with Axis and our integration between the XT1 and their new access control system, Axis A1001.

Rail Solutions: The segment has had a good period with a high level of serial deliveries to several of our regular 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 increasing 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 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

Year-end report February 5, 2015

The annual general meeting is proposed to take place on April 23 2015

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

www.tagmaster.com

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RESULTAT (SEK 000)	Q3	Q3	Q1-Q3	Q1-Q3	Full year
TagMaster AB (publ)	2014	2013	2014	2013	2013
Net revenue	12 967	11 173	43 610	36 690	50 196
Other revenue	72	0	164	0	148
SUMMA INTÄKTER	13 039	11 173	43 774	36 690	50 344
<i>Costs</i>					
Purchased goods	-6 153	-4 844	-19 477	-14 527	-20 811
Other external costs	-2 524	-2 653	-8 438	-9 873	-13 587
Personnel costs	-2 961	-3 030	-10 748	-9 545	-13 007
Other costs	0	-227	0	-40	0
Items affecting comparability	0	0	0	-163	-163
RESULT BEFORE DEPRECIATION (EBITDA)	1 401	419	5 111	2 542	2 776
Depreciations	-193	-315	-590	-993	-961
RESULT AFTER DEPRECIATIONS (EBIT)	1 208	104	4 521	1 549	1 815
<i>Financial income and costs</i>					
Interest income	0	0	0	0	1
Interest and financial costs	-15	-91	-172	-212	-297
Depreciation of shares and debts daughter companies					-7
TOTAL FINANCIAL INCOME AND COSTS	-15	-91	-172	-212	-303
PERIODIC RESULT	1 193	13	4 349	1 337	1 512
RESULT PER SHARE	0,01	0,00	0,04	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	2014-09-30	2013-09-30	2013-12-31
ASSETS			
Fixed assets			
Balanced expenditure for development costs	177	670	710
<i>Tangible assets</i>			
Inventory, tools and installations	205	199	262
<i>Finacial assets</i>			
Shares in daughter companies	0	100	0
Total fixed assets	382	969	972
Current assets			
<i>Stock</i>			
Goods for sale	7 161	7 188	6 010
<i>Short term claims</i>			
Accounts receivable	9 795	5 893	9 197
Other short term claims	1 081	1 071	1 023
Current tax claims	740	780	429
Prepaid costs and work in progress	629	1 046	1 378
Cash and bank	779	1 153	1 397
Total current assets	20 185	17 121	19 434
TOTAL ASSETS	20 567	18 090	20 406
OWN CAPITAL AND DEBT	2014-09-30	2013-09-30	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	4 349	1 337	1 512
Total own capital	9 951	5 428	5 602
Long term debts	0	391	326
Debts to group companies	0	93	0
Total long term debts	0	484	326
Short term debts			
Credit facility	196	3 280	3 119
Accounts payable	3 974	5 183	7 808
Other short term debts	923	259	415
Accrued cost and prepaid income	5 523	3 456	3 136
Total short term debts	10 616	12 178	14 478
TOTAL OWN CAPITAL AND DEBTS	20 567	18 090	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-Q3 2014	Q1-Q3 2013	Full year 2013
FROM ORDINARY BUSINESS			
Result before depreciation and financial costs	4 521	1 549	1 815
Depreciations	590	993	961
Other non cash influencing costs	0	-31	-31
Received interest			1
Paid interest and financial costs	-172	-212	-297
Increase/decrease stock	-1 151	-1 411	-233
Increase/decrease accounts receivable	-598	-1 474	-4 778
Increase/decrease other short term debts	380	-765	-698
Increase/decrease supplier debts	-3 834	1 558	4 182
Increase/decrease other short term debts	2 895	-1 968	-2 131
Cash flow from ordinary business	2 631	-1 761	-1 209
INVESTMENT ACTIVITIES			
Investment in tangible assets	0	-27	-99
Cash flow from investment activities	0	-27	-99
FINANCING ACTIVITY			
New loans	0	1 520	1 359
Amortization of loans	-3 249	-196	-261
Cash flow from finance activities	-3 249	1 324	1 098
PERIODIC CASH FLOW	-618	-464	-210
Cash at the beginning of the period	1 397	1 607	1 607
Cash at the end of the period	779	1 143	1 397
Cash including not used credits	6 583	1 863	2 278

CHANGE IN OWN CAPITAL (SEK 000)					
TagMaster AB (publ)					
	Share capital	Bound reserves	Share premium reserve	Balanced result	Total own capital I
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				4 349	4 349
Own capital 2014-09-30	5 386	42 967	20 803	-59 205	9 951

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 October 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 October 23, 2014

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO