

TagMaster

QUARTERLY REPORT FOR TAGMASTER AB January-September 2015

Continued organic growth and an acquisition

Third quarter

- Net sales increased during the third quarter by 40,0% to 18,2 MSEK (13,0)
- Result before depreciation (EBITDA) was - 3,6 MSEK (1,4), corresponding to a margin of -19,6% (10,8)
- Of the operating profit was 2,3 MSEK non-recurring costs and attributable to the restructuring of CitySync Ltd
- Net result after tax was -4,5 MSEK (1,1)
- Result per share was -0,03 (0,01)
- TagMaster acquires CitySync Ltd with access from 2015-07-09. The acquisition means that TagMaster takes over a business with a turnover just below 40 MSEK on a yearly basis for payment of 34,5 MSEK

January - September

- Net sales increased during the period by 28,7% to 56,1 MSEK (43,6)
- Result before depreciation (EBITDA) decreased to 1,5 MSEK (5,1), which corresponds to a margin of 2,7% (11,7)
- Net result after tax was -0,6 MSEK (3,8)
- Result per share was 0,00 (0,04)
- Cash flow from the business was 7,3 MSEK (2,6)

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced identificationsystems and solutions based on radio & vision technology (RFID & ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions providing innovative mobility solutions, sold under the brands TagMaster & CitySync, in order to increase efficiency, security, convenience and to decrease environmental impact within Smart Cities. 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, for us a normally weaker quarter, has had some growth. The quarter has highly been recognized by the intensive work done at making the turnaround of CitySync Ltd, which was acquired early July.

Our Rail business has been quite even during the quarter with serial deliveries to some of our main customers. New projects are intensively discussed and the focus is on working more and tighter with our already established big partners where we will expand our business and become a more important business partner to them. We still make the judgement that new projects will be added during 2015 and which will go into serial deliveries during the years to come

Our Traffic business has continued to develop well in several of our markets. The US market has continued to develop well but also the Gulf state markets have had a continued growth. In the EMEA region and in the Nordic market sales has been according to plan and we continue to increase our efforts during 2015 supported by our recently launched UHF product which we believe will have a positive influence on sales and margins during the years to come. We will also strengthen our sales efforts in the German speaking markets through a newly recruited regional manager.

We have during the quarter worked intensively on making a CitySync into a profitable growth business for the future. We work according to the same method that we used to make TagMaster profitable. We work on decreasing the cost level and the personnel has been reduced by 30% which will become visible already during quarter 4. We work on having new products very soon to allow us to address a wider market of applications. CitySync's product offering consist of software (where the company is a world leader) and camera hardware where we have already launched new products, which we can sell already early next year. We focus our sales resources towards fewer markets and towards the segments in which also TagMaster is active to give us a stronger total product offering. We work on our delivery chain to get a more efficient use of the working capital and a faster delivery service to existing and future customers..

Our quarterly result of -3,6 MSEK (1,4), depends on a negative result for CitySync and on the onetime costs of 2,3 MSEK taken for the restructuring work we make.

TagMaster will continue the work to find more opportunities to selective acquisitions in adjacent technology areas like sensors, detectors and other identification technology with the purpose to increase our offering and become a more attractive supplier of the type of information which is a prerequisite for building the smart cities of the future.

Jonas Svensson
CEO

Comments to the result and balance sheet

Turnover and result

During the quarter sales increased mostly depending on the acquired business. Net sales for the third quarter was 18,2 MSEK (13,0), an increase of 40%. The result (EBITDA) was -3,6 MSEK (1,4) which corresponds to a margin of -19,6% (10,8). From the sales 4,8 MSEK and from the result comes -5,1 MSEK from the recently acquired CitySync. The result for CitySync has been charged with 2,3 MSEK of onetime costs related to the ongoing restructuring.

The costs during the quarter were 14,3 MSEK (5,5). The increase is related to a bigger structure coming from the acquisition and the onetime costs mentioned above. The costs are expected to decrease during the fourth quarter. No activation of direct development costs has been made.

Cash flow and financial position

As per September 30, 2015 available liquidity was 13,9 MSEK (6,6) of which the revolving credit is 8,0 MSEK (6,0). The company has in addition a loan commitment in the form of acquisition capital for potential acquisitions of 10 MSEK. Solidity at the end of the period 68,4% (53,2). Cash flow from the running business was for the period (Q1-Q3) 7,3 MSEK (2,6).

In general the liquidity situation has been good, in spite of the acquisition made and this is a result of continued increased profitability for the mother company.

Accounts receivable were 11,2 MSEK (9,8) and supplier debts were 4,8 MSEK (4,0). The inventories were 15,5 MSEK (7,2), all as per September 30, 2015. The big increase of the inventories is explained by the CitySync inventories being added.

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. Within our new product family in the UHF area we have continued the work on making a version addressing specifically the toll road market (ETC) and where some test sales already has taken place, among other to the Indian market. Toll roads is a fast growing segment where we believe that our product offering could take a strong position.. We see that our widened and strengthened product offering will create good opportunities for increased growth going forward and during 2016 we will therefore launch more products within our new UHF family.

We will continuously start working on existing and new customers with our combined and stronger product offering where our joint competence in RFID and ALPR make us differentiate and where we will become a more attractive partner for the system integrators present in building the smart cities of the future.

Rail Solutions: Has developed according to plan with a lower level of serial deliveries but with intensive discussions regarding new projects. It is obvious that our value proposition has become stronger with our new business model, where we can offer our rail customers to share our know how and our application knowledge also in project form. We do already today have a growing part of our rail business through project sales and we see our relations develop positively while we also get access to more revenue streams and increase our business. We also see that our increased focus towards signal system suppliers is successful.

Employees, Organization and personnel

The number of employees in TagMaster AB was at the end of the period 17 (14). The average number of employees was 17 (14). The number of employees in CitySync Ltd was at the beginning of the period 33 and at the end of the quarter 22 and from the fourth quarter we will show merged figures.

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/CitySync 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 identification technology for demanding customers in Rail and Traffic is viable and we have therefore started to look for products, partners and companies which in different ways could complement our offering to markets within especially Traffic solutions. This has now lead to a first acquisition, which was announced in the beginning of July with one of the leading companies in ALPR (Automatic License Plate Recognition) area, CitySync Ltd in the United Kingdom. We are now looking forward to an exciting period when we should take advantage of the joint opportunities we have to participate in building smart cities and use our joint offering as well as to increase our market presence.

Coming reports 2015-16

Yearend report	January 28, 2016
Annual General Meeting	April 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:

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Income statement (SEK 000) TagMaster AB (publ)	Q3 2015	Q3 2014	Acc Q3 2015	Acc Q3 2014	Full year 2014
Net sales	18 246	12 967	56 147	43 610	62 505
Cost of goods and services sold	-7 872	-6 153	-24 152	-19 477	-28 842
Gross profit	10 374	6 814	31 995	24 133	33 663
Other income and changes in value	386	72	-64	164	47
Other external costs	-5 968	-2 524	-13 217	-8 438	-11 726
Cost of personell	-8 373	-2 961	-17 171	-10 748	-14 900
Operating profit before depreciation (EBITDA)	-3 581	1 401	1 543	5 111	7 084
Depreciation	-92	-16	-184	-58	-170
Goodwill amortization	-501		-501		
Operating profit after depreciation (EBIT)	-4 174	1 385	858	5 053	6 914
Financial Expenses	-1	-15	-50	-172	-174
Profit before tax	-4 175	1 370	808	4 881	6 740
Tax	-338	-305	-1 441	-1 082	-1 512
Net profit	-4 513	1 065	-633	3 799	5 228
Earnings per share before dilution	-0,03	0,01	0,00	0,04	0,05
Earnings per share after dilution	-0,03		0,00		
Number of shares, average	167 824 391	107 731 708	137 007 630	107 731 708	107 731 708
Number of shares, end of the period	167 824 391	107 731 708	167 824 391	107 731 708	107 731 708

Balance sheet Group	2015-09-30	2014-09-30	2014-12-31
Assets			
Non-current assets	24 146	2 495	1 953
Inventories	15 482	7 161	6 807
Trade receivables	11 208	9 795	9 184
Other receivables	3 156	2 450	2 504
Cash and Cash equivalents	5 939	779	5 869
Total assets	59 931	22 680	26 317
Equity	40 968	12 064	13 493
Non-current liabilities	990	0	543
Trade payables	4 841	3 974	4 955
Other current liabilities	13 132	6 642	7 326
Total equity and liabilities	59 931	22 680	26 317

CASH FLOW STATEMENT(SEK 000)		Acc Q3 2015	Acc Q3 2014	Full year 2014
TagMaster AB (publ)	Group			
Cash flow from operating activities before change in working capital		1 423	4 939	7 453
Change in working capital		5 899	-2 308	464
Cash flow from operating activities		7 322	2 631	7 917
Cash flow from investing activities		-35 174	0	0
Cash flow from financing activities		27 922	-3 249	-3 445
Cash flow during the period		70	-618	4 472
Cash and Cash equivalents at the start of the period		5 869	1 397	1 397
Cash and Cash equivalents at the end of the period		5 939	779	5 869

CHANGE IN OWN CAPITAL(SEK 000)					
TagMaster AB (publ) Group	Share capital	Bond reserves	Share premium reserve	Balanced result incl. Result for the year	Total own capital
Eget kapital 2014-01-01	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
Eget kapital 2014-12-31	5 386	216	0	7 891	13 493
New emission	3 005		25 392		28 397
Periodic recalculation difference				-289	-289
Periodic result				-633	-633
Own capital 2015-09-30	8 391	216	25 392	6 969	40 968

Income statement (SEK 000)		Q3	Q3	Acc Q3	Acc Q3	Full year
TagMaster AB (publ)	Parent Company	2015	2014	2015	2014	2014
Net sales		13 446	12 967	51 347	43 610	62 505
Cost of goods and services sold		-6 215	-6 153	-22 495	-19 477	-28 842
Gross profit		7 231	6 814	28 852	24 133	33 663
Other income and changes in value		373	72	-77	164	47
Other external costs		-2 168	-2 524	-9 417	-8 438	-11 726
Cost of personell		-3 903	-2 961	-12 700	-10 748	-14 900
Operating profit before depreciation (EBITDA)		1 533	1 401	6 658	5 111	7 084
Depreciation		0	-16	-92	-58	-170
Operating profit after depreciation (EBIT)		1 533	1 385	6 566	5 053	6 914
Financial Expenses		0	-15	-50	-172	-174
Profit before tax		1 533	1 370	6 516	4 881	6 740
Tax		-338	-305	-1 441	-1 082	-1 512
Net profit		1 195	1 065	5 075	3 799	5 228

Balance sheet	Parent company	2015-09-30	2014-09-30	2014-12-31
Assets				
Non-current assets		39 227	2 495	1 953
Whereof group		3 109		
Inventories		8 323	7 161	6 807
Trade receivables		5 606	9 795	9 184
Other receivables		2 327	2 450	2 504
Cash and Cash equivalents		3 363	779	5 869
Total assets		58 846	22 680	26 317
Equity		46 965	12 064	13 493
Non-current liabilities		543	0	543
Trade payables		3 259	3 974	4 955
Other current liabilities		8 079	6 642	7 326
Total equity and liabilities		58 846	22 680	26 317

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 October 22 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 22, 2015

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO

Verkställande Direktör