

TagMaster

YEAR- END REPORT 2014

All time high in result and revenue

Fourth quarter

- Net sales increased by 40% during the fourth quarter and was 18,9 MSEK (13,5)
- Result before depreciation (EBITDA) was 2,0 MSEK (0,2), corresponding to a margin of 10,4% (1,7)
- Net result was 1,4 MSEK (0,1)
- Result per share was 0,01 (0,00)

January - December

- Net sales increased during the period by 25% to 62,5 MSEK (50,2)
- Result before depreciation (EBITDA) increased by 155% to 7,1 MSEK (2,8), which corresponds to a margin of 11,3% (5,5)
- Net result was 5,2 MSEK (1,8)
- Result per share was 0,05 (0,02)
- Cash flow from the business for the period January to December was 7,9 MSEK (-1,2)
- No dividend is proposed

Försäljning och resultat

TSEK	Fourth quarter			Full year		
	2014	2013	Change	2014	2013	Change
Sales	18 895	13 506	40%	62 505	50 196	25%
Operating income (EBITDA)	1 973	234	743%	7 084	2 776	155%
Operating margin (EBITDA)	10,4%	1,7%		11,3%	5,5%	
Income before tax	1 858	135	1276%	6 740	2 380	183%
Operating cash flow	5 286	552	858%	7 917	-1 209	-755%
Earnings per share	0,01	0		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 fourth quarter have had a continued good growth and we show a record turnover for a single quarter. Our Rail business has been satisfactory during the period 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 2015. 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 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, while it has also continued to be weaker in the Chinese market. 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, with which we are not satisfied, we increase our presence and we already see that our new UHF reader finds a great interest 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.

The innovation work will continue with increasing speed and we plan to launch more products in our new UHF family during the spring. 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 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 result of 2,0 MSEK (0,2), is a strong improvement compared to previous years and our full year result of 7,1 MSEK is the strongest result in the company’s history. Altogether we are happy with record revenue and a record result, but we want to achieve more ahead. Our cash flow has developed well during the quarter and also for the year which can also be seen in our significantly better balance sheet.

Our new UHF products and our focused work in Rail Solutions 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

Fourth quarter

During the quarter sales increased. Net sales for the period October – December was 18,9 MSEK (13,5) an increase by 40%. The result (EBITDA) was 2,0 MSEK (0,2) which corresponds to a margin of 10,4% (1,7).

Costs during the quarter were 7,4 MSEK (7,2). No activation of development costs has been made.

Full year 2014

Net sales for the year was 62,5 MSEK (50,2), which is an increase by 25%. The result (EBITDA) was 7,1 MSEK (2,8) which corresponds to a margin of 11,3% (5,5)

Costs during the year were 26,6 MSEK (26,8). No activation of development costs has been made.

Cash flow and financial position

As per December 31, 2014 available liquidity was 11.9 MSEK (2,3). The revolving credit is 6,0 MSEK (4,0). Solidity was at the end of the period 51,3 % (35,8). Cash flow from the running business was for the period 5,3 MSEK (0,5) and for the full year 7,9 MSEK (-1,2).

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

Accounts receivable were 9,2 MSEK (9,2) and accounts payable were 5,0 MSEK (7,8). The inventories were 6,8 MSEK (6,0), all as per December 31 2014.

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. 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, US and Asia. We see that our enforced product offering will create good ground for increased presence also in other European markets. During 2015 we therefore intend to launch further products in our new UHF family and we will also launch a number of products for ETC solutions (Electronic toll roads) in select markets.

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 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 16 (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. We will see periods ahead of us where when the result development will stop momentarily because we invest in future growth, which means costs may come before the revenue and result. 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 1 report	April 23, 2015
Quarter 2 report	July 16, 2015
Quarter 3 report	October 22, 2015
Year -end report 2015	January 28. 2016

Annual general meeting

The annual general meeting will take place on April 23, 2015. Call for the meeting will be published no less than four weeks before the AGM on the company home page and in Post- och Inrikes Tidningar.

The Annual report will be available in the second half of March at the company home page.

Dividend

The board will propose no dividend for 2014.

Nominating committee

According to company rules the nominating committee should be composed by the three biggest shareholders (or persons representing them), the chairman and one representative for the smaller shareholder. The nominating committee for 2015 is composed by Gert Sviberg, Tomas Brunberg, Didirik Hamilton, Gunnar Ek (representing the smaller shareholders) and Rolf Norberg with Gert Sviberg as chairman.

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)	Q4	Q4	Full year	Full year
TagMaster AB (publ)	2014	2013	2014	2013
Net revenue	18 895	13 506	62 505	50 196
Other revenue	0	188	47	148
TOTAL REVENUE	18 895	13 694	62 552	50 344
<i>Costs</i>				
Purchased goods	-9 365	-6 284	-28 842	-20 811
Other external costs	-3 288	-3 614	-11 726	-13 750
Personnel costs	-4 152	-3 562	-14 900	-13 007
Other costs	-117	0	0	0
RESULT BEFORE DEPRECIATION (EBITDA)	1 973	234	7 084	2 776
Depreciations	-113	-8	-170	-93
RESULTS AFTER DEPRECIATIONS (EBIT)	1 860	226	6 914	2 683
<i>Financial income and costs</i>				
Depreciation of shares and debts daughter companies	0	-7	0	-7
Interest income	2	1	2	1
Interest and financial costs	-4	-85	-176	-297
TOTAL FINANCIAL INCOME AND COSTS	-2	-91	-174	-303
RESULT BEFORE TAX	1 858	135	6 740	2 380
Tax	-409	-35	-1512	-627
PERIODIC RESULT	1 449	100	5 228	1 753
RESULT PER SHARE	0,01	0,00	0,05	0,02
NUMBER OF SHARES, average	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

Balance sheet	2014-12-31	2013-12-31
ASSETS		
Fixed assets		
Balanced expenditure for development costs	0	0
<i>Tangible assets</i>		
Inventory, tools and installations	92	262
<i>Finacial assets</i>		
Postponed tac claim	1 861	3 373
Total fixed assets	1 953	3 635
Current assets		
<i>Stock</i>		
Goods for sale	6 807	6 010
<i>Short term claims</i>		
Accounts receivable	9 184	9 197
Other short term claims	1 308	1 023
Current tax claims	429	429
Prepaid costs and work in progress	767	1 378
Cash and bank	5 869	1 397
Total current assets	24 364	19 434
TOTAL ASSETS	26 317	23 069
OWN CAPITAL AND DEBT	2014-12-31	2013-12-31
Own capital		
Share capital	5 386	5 386
Bound reserves	42 967	42 967
Share premium reserve	20 803	20 803
Balanced loss	-60 891	-62 644
Result from the period	5 228	1 753
Total own capital	13 493	8 265
Provisions	543	0
Total provisions	543	0
Long term debts	0	326
Total long term debts	0	326
Short term debts		
Credit facility	0	3 119
Accounts payable	4 955	7 808
Other short term debts	476	415
Accrued costs and prepaid income	6 850	3 136
Total short term debts	12 281	14 478
TOTAL OWN CAPITAL AND DEBTS	26 317	23 069
SECURITIES AND CONTINGENT LIABILITIES		
Liabilities	8 000	7 512
Pledged assets	Inga	Inga

CASH FLOW ANALYSIS (SEK 000)		
TagMaster AB (publ)	Full year 2014	Full year 2013
FROM ORDINARY BUSINESS		
Result before depreciation and financial costs	6 914	2 683
Depreciations	170	93
Other non-cash influencing costs	543	-31
Received interest	2	1
Paid interest and financial costs	-176	-297
Increase/decrease stock	- 797	-233
Increase/decrease accounts receivable	13	-4 778
Increase/decrease other short term debts	326	-698
Increase/decrease supplier debts	-2 853	4 182
Increase/decrease other short term debts	3 775	-2 131
Cash flow from ordinary business	7 917	-1 209
INVESTMENT ACTIVITIES		
Investment in tangible assets	0	-99
Cash flow from investment activities	0	-99
FINANCING ACTIVITY		
New loans	0	1 359
Amortization of loans	-3 445	-261
Cash flow from finance activities	-3 445	1 098
PERIODIC CASH FLOW	4472	-210
Cash at the beginning of the period	1 397	1 607
Cash at the end of the period	5 869	1 397

CHANGE IN OWN CAPITAL(SEK 000)					
TagMaster AB (publ)	Share capital	Bound reserves	Share premium reserve	Balanced result incl. Full year result	Total own capital
Own capital 2012-12-31	10 773	42 967	20 803	-68 031	6 512
Full year result 2013				1 753	1 753
Decrease in share capital	-5 387			5 387	
Own capital 2013-12-31	5 386	42 967	20 803	-60 891	8 265
Full year result 2014				5 228	5 228
Own capital 2014-12-31	5 386	42 967	20 803	-55 663	13 493

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 for the first time which influence comparable figures for postponed tax, depreciations and own capital. This will be 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 2013 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on February 5 at 13.00 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 February 5, 2015

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO