



Interim report January to March 2017

Continued high growth for both sales and result

First quarter

- Net sales increased during the first quarter by 70,8% to 42,1 MSEK (24,6)
- Result before depreciation (EBITDA) increased during the first quarter by 140% to 4,8 MSEK (2,0), corresponding to a margin of 11,4% (8,3)
- Net result after tax was 3,1 MSEK (0,9)
- Result per share was 0,02 (0,01)
- Cash flow from the business for the period was 7,3 MSEK (-0,2)
- On March 22, 2017, the Board resolved to, subject to approval by the annual general meeting, conduct an issue of shares with preferential rights for existing shareholders, whereby the Company's share capital may increase with no more than SEK 1 678 243,91 and 33 564 878 shares of series B. Shareholders in TagMaster have the preferential right to subscribe for one (1) new share of Series B per five (5) existing shares, ie. subscriptions ration 1:5. The subscription price in the rights issue is SEK 1,10 per share. The right issue is secured to approximately 74 percent by existing shareholders, board and management and warranties.

Subsequent events

- *TagMaster acquires CA Traffic Ltd in England with admission date April 27, 2017. The acquisition means that TagMaster takes over a business with a yearly turnover of approximately 50 MSEK and a positive result.*

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced identification systems and solutions based on radio & vision technology (RFID & ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync and Balogh with innovative mobility solutions 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, The 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. TagMasters certified advisor is Remium AB.

www.tagmaster.com

Comments by the CEO

Our sales during the first quarter has been satisfactory with good volumes for TagMaster as well as for Balogh while CitySync has had seasonably lower volumes.

During the quarter the turnaround work with Balogh has continued. The work is intended to lower both personnel costs and other costs, to reduce the number of products and to simplify the business processes. We estimate the work to be done during the first half of 2017, which is a bit later than previously communicated and the delay mainly depends on the work on reducing the product assortment and to start a more efficient product supply requires more efforts.

CitySync is in discussions about a number of parking projects with several large international customers and we expect deliveries to start in smaller scale during the second quarter. We see a strong trend among other in Scandinavia that ANPR becomes a key component in future parking systems where barriers and ticket machines disappear.

Our rail business has been good during the quarter and product deliveries have continued for the big rail project announced at the end of 2015 and for another smaller project. Deliveries will continue, somewhat slower, during 2017. We are approaching the end of a development project for a new Railtag, with a 20-year lifetime, which will be used in these two projects, but also for other future projects. We already see indications that our acquisition of Balogh will increase our total offering to the rail market and that our complementary product assortment is well received by our common customers. Balogh has during the quarter had an even flow of new projects for delivery during 2017 and 2018 and we expect volumes to stay during the remainder of 2017 mostly driven by our new, simplified and upgraded product assortment.

Our Traffic business has had an acceptable development during the quarter with a continued positive margin development. The US market has started well and the Indian market has been strong in products for toll road solutions. We will continue to increase our market efforts among others by participating in more fairs during 2017 and by new recruitment in sales. We have during the quarter started launching our UHF products in the French market through the sales channels of Balogh and during 2017 we will let our local sales forces sell our complete assortment, which means RFID and ANPR products. We see that we with three home markets (The Nordics, UK and France) are able to integrate and streamline our sales work and we have therefore during the quarter created an EMEA sales organization with responsibility for the whole region. We will also continue the work with developing more products in RFID and ANPR and several of these will be launched already during 2017.

Our quarterly result of 4,8 MSEK (2,0) and our cash flow from the running business of 7,3 (-0,2) is an acceptable result to be satisfied with, while we still have work to do and it is always worth mentioning that the variation could be significant since especially our rail business is volatile to its character.

Jonas Svensson

CEO

Comments to the result and balance sheet

Turnover and result

During the quarter a sales increase was noted mainly due to the rail business in the parent company but also due to the acquired business. Net sales for the first quarter was 42,1 MSEK (24,6), an increase of 70,8%. The result (EBITDA) was 4,8 MSEK (2,0), an increase of 140%, and a margin of 1,4% (8,3).

The costs during the quarter were 20,5 MSEK (12,9), The overall increase is related to a bigger structure coming from the acquisition of Balogh in 2016. No activation of direct development costs has been made. Included in tax on profit of the year is a tax revenue of 2,6 MSEK based on R&D expenditures in Balogh SA.

Cash flow and financial position

As per March 31, 2017 available liquidity was 30,3 MSEK (22,3) of which the revolving credit is 12,0 MSEK (8,0). Solidity at the end of the period was 43,9% (62,1). Cash flow from operating activities for the period was 7,3 MSEK (-0,2).

Accounts receivable were 20,8 MSEK (16,2) and trade payables were 10,2 MSEK (6,3). The inventories were 19,8 MSEK (12,1), all as per March 31, 2017. The increase of the inventories and other assets is explained by Balogh assets now being included and high sales during the quarter.

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 63 (40). The number of full time employees in Balogh has been decreased by 8 since the acquisition in August 2016 and amounts to 29 employees at the end of March.

Business during the quarter

Traffic Solutions (Access/Parking)

We continue our work with the partner program and with our efforts 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 continued to see that our focus on North America, together with our local partner, has been successful and that more customers see the advantages of our products and the services we are offering. During the later part of 2017 we will also launch more of our ANPR products in the fast growing US market. We have also started actively to integrate the sales work in our three home markets (The Nordics, UK, France) and we work actively to become a stronger player in the DACH countries. During the quarter we established our European organization under a common sales director and which will during the year recruit more sales resources in all our home markets. We continue actively to build our brand through participation in fairs in our focus markets. During the period, we participated in fairs in the US and we will exhibit in more than 10 fairs on our own and together with our partners also in more fairs.

CitySync has during the quarter had a seasonally lower volume. Our new assortment with CitySync 50, which is an ANPR camera partly addressing the same application areas as the Traffic products of TagMaster is looked upon with great interest both in England and in Scandinavia. We will continuously approach existing and new customers with our combined and stronger product offering where our joint competence in RFID and ANPR make us differentiate. Through this offering we will become a more attractive partner for the system integrators building the smart cities of the future. We will during the year work intensively with integration of our RFID and ANPR offerings and the sales force will work with our complete assortment in their respective regions to implement synergies more naturally.

Rail Solutions

We have during the quarter continued product deliveries for our big rail project and for another smaller project. We have during the period had a low level of serial deliveries to other Rail customers, but we expect that their portfolios of projects will increase some during 2017 which will give us new projects.

We expect also to get some more business in CBTC (Communication Based Train Control.) area during 2017 and with the acquisition of Balogh our total product offering becomes much stronger, among other through the Balogh strength in Tramway solutions and this will give us access to a new dimension of growth opportunities for our Rail business. Balogh has during the quarter had an even inflow of smaller projects, something which is expected to continue during 2017.

Our business model within Rail, where we have the opportunity to offer our Rail customers to take advantage of our know-how and application knowledge also in project format will be further strengthened when we enhance our development resources with our new Rail Competence Center in Toulouse (Balogh).

Future outlook

The future outlook is unchanged and the company has good growth opportunities in Traffic Solutions as well as in Rail Solutions. Our market shares are still small in a big and growing market, which means that future growth mainly depends on the company's own ability. Our companies will, however, see periods ahead of us when the sales- and 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 aspire for the position as market leading supplier of advanced RFID & ANPR solutions, TagMaster/CitySync/Balogh 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 vehicles to 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. 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.

Annual General meeting

TagMasters Annual General meeting will be held on Thursday, April 27, 2017 at Middlepoint, Kronborgsgränd 1, Kista at 3.00 p.m.

Reporting dates

Tagmaster will report on the following dates during the 2017 and 2018 fiscal years:

| | |
|--------------------------------------|------------|
| Interim report, January – June: | July 14 |
| Interim report, January – September: | October 27 |
| Earnings release 2017: | January 26 |

This as well as previous financial reports could be found at the company homepage

www.tagmaster.com

For further information, please contact

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This information is information that TagMaster AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 a.m. CET on April 27, 2017.

Consolidated income statement

| KSEK | Q1 | | Full year |
|------------------------------------------------------|---------------|---------------|----------------|
| | 2017 | 2016 | 2016 |
| Net sales | 42 059 | 24 620 | 113 892 |
| Other operating income | - | | 544 |
| Total Sales | 42 059 | 24 620 | 114 436 |
| Purchased goods | -16 048 | -9 520 | -43 935 |
| Other external costs | -8 758 | -4 209 | -26 074 |
| Personnel cost | -11 786 | -8 702 | -35 897 |
| Other operating expenses | -660 | -157 | -4 723 |
| Operating profit before depreciation (EBITDA) | 4 807 | 2 032 | 3 807 |
| Depreciation | -95 | -73 | -316 |
| Goodwill amortization | -884 | -523 | -2 554 |
| Operating profit after depreciation (EBIT) | 3 828 | 1 436 | 937 |
| Financial items | -226 | -158 | -432 |
| Profit before tax | 3 602 | 1 278 | 505 |
| Tax | -517 | -368 | 3 710 |
| Net profit | 3 085 | 910 | 4 215 |

¹ Other operating expenses are related to restructuring activities (CitySync 801 Ksek and Balogh 1 522 Ksek) and write down of project costs (CitySync) at the amount of 2 400 Ksek. In the first quarter of 2017, the item relates to exchange-rate losses on operating receivables and liabilities.

Key ratios

| | Q1 | | Full year |
|-----------------------------------------------|---------|---------|-----------|
| | 2016 | 2015 | 2016 |
| Net sales growth, % | 70,8 | 28,0 | 44,2 |
| EBITDA-margin, % | 11,4 | 8,3 | 3,3 |
| Equity ratio, % | 43,9 | 62,1 | 43,3 |
| Return on equity, % | 6,5 | 2,1 | 9,4 |
| Earnings per share before dilution, SEK | 0,02 | 0,01 | 0,03 |
| Earnings per share after dilution, SEK | 0,02 | 0,01 | 0,03 |
| Number of shares, average, thousand | 167 824 | 167 824 | 167 824 |
| Number of shares, end of the period, thousand | 167 824 | 167 824 | 167 824 |
| Market price on closing day, SEK | 1,71 | 1,21 | 1,13 |
| Number of employees at end of period | 63 | 40 | 69 |

Consolidated balance sheet

| KSEK | 31 Mars | | |
|-----------------------------------------------|----------------|---------------|----------------|
| | 2017 | 2016 | 2016-12-31 |
| ASSETS | | | |
| Intangible assets | 31 326 | 18 714 | 32 325 |
| Tangible assets | 993 | 532 | 948 |
| Financial assets | 5 207 | 4 194 | 6 917 |
| Inventories | 19 800 | 12 129 | 22 099 |
| Trade receivables | 20 749 | 16 227 | 22 165 |
| Other receivables | 14 511 | 3 720 | 11 166 |
| Cash and cash equivalents | 18 327 | 14 322 | 9 903 |
| TOTAL ASSETS | 110 913 | 69 838 | 105 523 |
| EQUITY AND LIABILITIES | | | |
| Equity | 48 645 | 43 359 | 45 707 |
| Provisions | 3 316 | 1 264 | 8 567 |
| Long term liabilities to credit institutions | 8 640 | 9 950 | 2 317 |
| Other long term liabilities | 12 601 | - | 11 910 |
| Short term liabilities to credit institutions | 500 | - | - |
| Trade payables | 10 200 | 6 323 | 10 594 |
| Other current liabilities | 27 011 | 8 942 | 26 428 |
| TOTAL EQUITY AND LIABILITIES | 110 913 | 69 838 | 105 523 |

Changes in consolidated equity

| KSEK | 31 March | | |
|------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2016-12-31 |
| Opening balance | 45 707 | 44 059 | 44 059 |
| Warrant payment | -20 | 65 | 170 |
| Transaction difference | -127 | -1 675 | -2 737 |
| Net result | 3 085 | 910 | 4 215 |
| TOTAL EQUITY | 48 645 | 43 359 | 45 707 |

Consolidates cash flow analysis

| KSEK | Q1 | | Full year |
|----------------------------------------------------------------------|---------------|---------------|--------------|
| | 2017 | 2016 | 2016 |
| Cash flow from operating activities before change in working capital | 5 237 | 1 636 | 10 390 |
| Change in working capital | 2 051 | -1 821 | -9 487 |
| Cash flow from operating activities | 7 288 | -185 | 903 |
| Cash flow from investing activities | 1 237 | - | -4 034 |
| Cash flow from financing activities | -85 | 10 015 | 8 670 |
| Cash flow | 8 440 | 9 830 | 5 539 |
| Cash and cash equivalents at beginning of period | 9 903 | 4 492 | 4 492 |
| Effect of exchange differences | -16 | 0 | -128 |
| Cash and cash equivalents at end of period | 18 327 | 14 322 | 9 903 |

Parent company income statement

| KSEK | Q1 | | Full year |
|------------------------------------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2016 |
| Net sales | 26 157 | 18 081 | 79 837 |
| Other operating income | - | - | 495 |
| Total Sales | 26 157 | 18 081 | 80 332 |
| Purchased goods | -9 574 | -7 450 | -31 363 |
| Other external costs | -5 484 | -3 263 | -17 382 |
| Personnel cost | -5 948 | -5 263 | -20 977 |
| Other operating expenses | -652 | -145 | - |
| Operating profit before depreciation (EBITDA) | 4 499 | 1 960 | 10 610 |
| Financial items | -122 | -316 | -591 |
| Profit before tax | 4 377 | 1 644 | 10 019 |
| Appropriations | - | - | 867 |
| Tax | -963 | -368 | 1 098 |
| Net result | 3 414 | 1 276 | 11 984 |

Parent company balance sheet

| KSEK | 31 March | | |
|--------------------------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2016-12-31 |
| ASSETS | | | |
| Shares in subsidiaries | 40 428 | 35 224 | 40 428 |
| Long-term receivables from group companies | 9 591 | 2 689 | 12 454 |
| Deferred tax asset | 4 329 | 3 826 | 5 291 |
| Inventories | 7 872 | 6 635 | 9 819 |
| Trade receivables | 11 460 | 9 762 | 12 390 |
| Current receivables from group companies | 4 685 | - | 867 |
| Other receivables | 3 384 | 2 855 | 3 074 |
| Cash and cash equivalents | 11 428 | 12 704 | 2 153 |
| TOTAL ASSETS | 93 177 | 73 695 | 86 476 |
| EQUITY AND LIABILITIES | | | |
| Equity | 66 459 | 52 336 | 63 043 |
| Provisions | 2 093 | 1 043 | 2 093 |
| Liabilities to credit institutions | 8 500 | 9 950 | 8 500 |
| Trade payables | 5 342 | 4 394 | 5 040 |
| Other current liabilities | 10 783 | 5 972 | 7 800 |
| TOTAL EQUITY AND LIABILITIES | 93 177 | 73 695 | 86 476 |

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 2016.

Operational and financial risks

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2016 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on April 27 at 08.30 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, April 27, 2017

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson
CEO