

TagMaster

QUARTERLY REPORT FOR TAGMASTER AB January-June 2015

Continued growth with robust cash flow

Second quarter

- Net sales increased by 14,2% during the second quarter and was 18,7 MSEK (16,4)
- Result before depreciation (EBITDA) was 2,5 MSEK (2,2), corresponding to a margin of 13,3% (13,1)
- Net result was 1,9 MSEK (1,7)
- Result per share was 0,02 (0,02)
- Cash flow from the business for the period April-June was 3,8 MSEK

First half year

- Net sales increased during the period by 23,5% to 37,9 MSEK (30,7)
- Result before depreciation (EBITDA) increased to 5,1 MSEK (3,7), which corresponds to a margin of 13,5% (12,1)
- Net result was 3,9 MSEK (2,7)
- Result per share was 0,03 (0,03)
- Cash flow from the business for the first half year was 7,2 MSEK

Sales and result

TSEK	Second quarter			First half year			Full year		
	2015	2014	Change	2015	2014	Change	2014	2013	Change
Sales	18 713	16 381	14%	37 947	30 735	23%	62 505	50 344	25%
Operating income (EBITDA)	2 493	2 154	16%	5 124	3 710	38%	7 084	2 776	155%
Operating margin (EBITDA)	13,3%	13,1%		13,5%	12,1%		11,3%	5,5%	
Income before tax	2 382	1 902	15%	4 983	3 156	42%	6 740	1 512	183%
Operating cash flow	3 844	1 213	217%	7 210	-454		7 917	-1 209	
Earnings per share	0,02	0,02		0,03	0,03		0,05	0,01	150%

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 second quarter have had a continued growth, just somewhat slower than in the first quarter. Our continuous work on improving our margins now also start to show up in the result.

Our Rail business has been stable during the period with an even flow of serial deliveries to our main customers. We know by experience that our rail market is volatile by its character with major shifts between years. 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 and with serial deliveries during coming years.

Our Traffic business has continued to develop well in the US market, but also the markets in the Gulf states have developed well. In the EMEA and the Nordic markets the sales has been according to plan and we continue to increase our efforts during 2015 supported by our newly launched UHF products, which we judge will have a positive impact on sales and margin during the following years.

We have during the quarter carried out a rights issue, which was subscribed to 209%, and a directed issue, which together added almost 30 MSEK to the company as well as a new strategic owner through LMK Ventures AB. The capital should be used for selective acquisitions in adjacent technology areas like sensors, detectors and camera technology (LPR) with the purpose to widen our product offering and be a more attractive supplier of the type of information which is a prerequisite for building the smart cities of the future.

We have during the quarter worked actively with acquisitions discussions, which has resulted in the acquisition of CitySync, which was communicated July 10.

The innovation work will continue with increasing speed and we have during the quarter started the launch of a new member, XT Mini, of our new UHF family. Sales start is expected at the end of quarter three. In addition to the new XT Mini we have during the quarter started the launch of a number of software add-ons to existing UHF products, which add unique functions making us further differentiated positively in the market.

Our quarterly result of 2,5 MSEK (2,2), is an improvement compared to previous year and it is a good result considering that the compared figures from last year included a great deal of rail sales. In summary we are happy about both increase in turnover and in result, but we want more going ahead. Our cash flow has developed well during the quarter which is also reflected in a significantly stronger balance sheet.

Jonas Svensson
CEO

Comments to the result and balance sheet

Turnover and result

During the quarter sales increased. Net sales for the period April-June was 18,7 MSEK (16,4) an increase by 14%. The result (EBITDA) was 2,5 MSEK (2,2) which corresponds to a margin of 13,3% (13,1).

Costs during the quarter were 9,1 MSEK (7,2). The increase is due to investment in new people and onetime costs for share issue and acquisition. No activation of development costs has been made.

Cash flow and financial position

As per June 30, 2015 available liquidity was 49,0 MSEK (3,7), of which the revolving credit is 8,0 MSEK (6,0). From available liquidity 28 MSEK was due to the share issue which was performed during May. The company also has a loan commitment, in the form of acquisition capital for potential acquisitions of 10 MSEK. Solidity was at the end of the period 73,3% (43,4). Cash flow from the running business was for the period (Q1-Q2) 7,2 MSEK (-0,5).

At the end of the quarter an extra build up of stock has been made to enable deliveries during the summer period when some of our main suppliers close for vacations. Generally our liquidity has improved substantially as a result of our increased profitability.

Accounts receivable were 8,9 MSEK (11,0) and accounts payable were 5,7 MSEK (5,1). The inventories were 8,9 MSEK (7,9), all as per June 30 2015.

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 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. In our new product family in the UHF area, we have started a work to make a version especially focused on the toll road market (ETC) and where a certain test sales already has been made in the Indian market among others. Toll roads is a fast growing market segment and we judge our product offering as one that could take on a strong position. We see that our increased and enforced product offering will create good base for increased growth and during 2015 we plan to launch several products within our new UHF family.

Rail Solutions: The segment has had a period according to plan with a stable delivery of serial deliveries and some smaller NRE projects. 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 17 (13). The average number of employees was 17 (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 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 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. This has now resulted in a first acquisition announced last week within LPR (License Plate Recognition) with one of the leading companies in this business, CitySync in the UK. We are now looking forward to an exciting period of exploring the opportunities we have together in the business of building smart cities and expanding our total offering and also to further strengthen our market presence.

Coming reports 2015-16

Quarter 3 report	October 22, 2015
Yearend report 2015	January 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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RESULT (SEK 000)	Q2	Q2	Q1-Q2	Q1-Q2	Full year
TagMaster AB (publ)	2015	2014	2015	2014	2014
Net revenue	18 667	16 137	37 901	30 643	62 505
Other revenue	46	244	46	92	47
TOTAL REVENUE	18 713	16 381	37 947	30 735	62 552
<i>Costs</i>					
Purchased goodsr	-7 113	-7 001	-16 280	-13 324	-28 842
Other external costs	-4 292	-3 282	-7 249	-5 914	-11 726
Personnel costs	-4 655	-3 944	-8 798	-7 787	-14 900
Other costs	-160	0	-496	0	0
RESULT BEFORE DEPRECIATIONS (EBITDA)	2 493	2 154	5 124	3 710	7 084
Depreciations	-84	-16	-92	-42	-170
RESULT AFTER DEPRECIATIONS (EBIT)	2 409	2 138	5 032	3 668	6 914
<i>Financial income and costs</i>					
Interest income	0	0	0	0	2
Interest and financial costs	-27	-58	-49	-157	-176
TOTAL FINANCIAL INCOME AND COST	-27	-58	-49	-157	-174
RESULT BEFORE TAX	2 382	2 080	4 983	3 511	6 740
Deferred tax	-528	-406	-1 103	-777	-1 512
PERIODIC RESULT	1 854	1 674	3 880	2 734	5 228
RESULT PER SHARE BEFORE DILUTION	0,02	0,02	0,03	0,03	0,05
RESULT PER SHARE AFTER DILUTION	0,01	-	0,03	-	-
NUMBER OF SHARES, average	121 599 250	107 731 708	114 703 787	107 731 708	107 731 708
NUMBER OF SHARES, end of period	167 824 391	107 731 708	167 824 391	107 731 708	107 731 708

Balance sheet	2015-06-30	2014-06-30	2014-12-31
ASSETS			
<i>Fixed assets</i>			
<i>Tangibler assets</i>			
Inventory, tools and installations	0	220	92
<i>Financial assets</i>			
Shares in daughter companies	50	0	
Postponed tax claim	1 212	2 596	1 861
Total fixed assets	1 262	2 816	1 953
<i>Current assets</i>			
<i>Stock</i>			
Goods for sale	8 950	7 858	6 807
<i>Short term claims</i>			
Accounts receivable	8 326	11 024	9 184
Other short term claims	1 236	1 069	1 308
Current tax claims	662	662	429
Prepaid costs and work in progress	1 049	709	767
Cash and bank	41 010	1 230	5 869
Total current assets	61 233	22 552	24 364
TOTAL ASSETS	62 495	25 368	26 317
OWN CAPITAL AND DEBT	2015-06-30	2014-06-30	2014-12-31
<i>Own capital</i>			
<i>Restricted equity</i>			
Share capital	8 391	5 386	5 386
Bound reserve	216	42 967	216
<i>Unrestricted equity</i>			
Share premium account	25 431	20 803	0
Balanced result	7 891	-60 891	2 663
Result from the year	3 880	2 734	5 228
Total own capital	45 809	10 999	13 493
Provisions	543	0	543
Total provisions	543	0	543
Long term debts	0	196	0
Total long term debts	0	196	0
<i>Short term debts</i>			
Credit facility	0	3 536	0
Accounts payable	5 705	5 113	4 955
Other short term debts	520	528	476
Accrued costs and prepaid income	9 918	4 996	6 850
Total short term debts	16 143	14 173	12 281
TOTAL OWN CAPITAL AND DEBTS	62 495	25 368	26 317
SECURITIES AND CONTINGENT LIABILITIES			
Liabilities	8 300	8 000	8 000
Pledged assets	None	None	None

CASHFLOW ANALYSIS (SEK 000)			
TagMaster AB (publ)	Q2 2015	Q2 2014	Full year 2014
FROM ORDINARY BUSINESS			
Result before depreciation and financial costs	5032	3 668	6 914
Depreciations	92	42	170
Other noncash influencing costs	0	0	543
Received interest	0	0	2
Paid interest and financial costs	-49	-157	-176
Increase/decrease stock	-2143	-1 848	-797
Increase/decrease accounts receivable	858	-1 827	13
Increase/decrease other short term receivables	-443	390	326
Increase/decrease supplier debts	750	-2 695	-2 853
Increase/decrease other short term debts	3113	1 973	3 775
Cashflow from ordinary business	7 210	-454	7 917
INVESTMENT ACTIVITIES			
Investment in daughter companies	-50	0	0
Investment in tangible assets	0	0	0
Cashflow from investment activities	-50	0	0
FINANCING ACTIVITY			
New issue	27 981	0	0
New loans	0	417	0
Amortization of loans	0	-130	-3 445
Cashflow from finance activities	27 981	287	-3 445
PERIODIC CASHFLOW	35 141	-167	4 472
Cash at the beginning of the period	5869	1 397	1 397
Cash at the end of the period	41 010	1 230	5 869

CHANGE IN OWN CAPITAL (SEK 000)					
TagMaster AB (publ)	Share capital	Bound reserves	Share premium reserve	Balanced Result incl res. Of the year	Total own capital
Own capital 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
Own capital 2014-12-31	5 386	216	0	7 891	13 493
New issue	3 005				28 436
Periodic result				3 880	3 880
Own capital 2015-06-30	8 391	216	25 431	11 771	45 809

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 July 16 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 July 16, 2015

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO