



Interim report January to September 2016

Strong quarter for TagMaster

Third quarter

- Net sales increased during the third quarter by 56,8% to 28,6 MSEK (18,2)
- Result before depreciation (EBITDA) was 1,7 MSEK (-3,6), corresponding to a margin of 6,0% (-19,6)
- Net result after tax was -0,1 MSEK (-4,5)
- Result per share was -0,00 (-0,03)
- The mother company made its best quarter ever with result before depreciation (EBITDA) of 3,8 MSEK (1,5)
- Cash flow from the business for the period was 1,0 MSEK (0,1)
- The Balogh Group was acquired from August 30, 2016. The acquisition means that TagMaster is taking over a business of just below 35 MSEK yearly.

January - September

- Net sales increased during the period by 31,5% to 73,8 Mkr (56,1)
- Result before depreciation (EBITDA) was -1,2 Mkr (1,5), corresponding to a margin of -1,6% (2,7)
- Net result after tax was -4,4 Mkr (-0,6)
- Result per share was -0,03 (0,00)
- Cash flow from the business for the period was -1,2 Mkr (7,3)

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 third quarter has been good for the TagMaster part, but still weak in the CitySync part. We do, however, see that the restructuring program, which we informed about in the second quarter has good effect and that the interest for CitySync's new products is big. We have during the quarter also finalized our acquisition of Balogh, which is now included with one month and with a small positive contribution in the consolidated result.

As we have described earlier we focus in CitySync on building a scalable business model supported by several product launches this year and during 2017. During Q3 we have restructured the business including personnel reductions and changes in the product management, in development and in sales and administration. Several functions have been centralized to TagMaster and the cost reductions are estimated to 3,5 MSEK on a yearly basis.

Our rail business has been good during the quarter and product deliveries have started for the big rail project we announced at the end of last year. Deliveries will continue during the rest of 2016 and during part of 2017. We also work on a new rail tag with 20 year lifetime to be used in the same project, but also in future projects. We already see indications of that our acquisition of Balogh will increase our total offering to the rail market and that our complimentary product assortments are received positively by our common customers. We now start the work to integrate our sales and development resources within Rail and we expect that our joint offering should contribute positively already during 2017.

Our Traffic business has stayed unchanged during the quarter, while margins are developing positively for important product groups. The US market has developed according to plan while the markets in the ME region and in the Nordics have been disappointing. We will continue to increase our market activities among others through participation in several fairs during 2017. During the fourth quarter we will start the launch of our UHF products in the French market through the market channels of Balogh and in the beginning of 2017 we plan to let our different sales forces sell all our product assortment, i.e. both RFID and ANPR products. We also continue the work to develop more products during the first half of 2017.

Our quarterly result of 1,7 MSEK (-3,6) is a clear improvement compared to the last quarter, but we still have work to do. We will during the coming quarter initiate cost reductions in Balogh, including personnel reductions as well as other cost reductions like rental costs.

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 mother company but also due to the acquired business. Net sales for the third quarter was 28,6 MSEK (18,2), an increase of 56,8%. The result (EBITDA) was 1,7 MSEK (-3,6) which corresponds to a margin of 6,0% (-19,6).

The costs during the quarter were 15,8 MSEK (14,3), The overall increase is related to a bigger structure coming from the acquisition of Balogh. No activation of direct development costs has been made.

Cash flow and financial position

As per September 30, 2016 available liquidity was 15,9 MSEK (13,9) of which the revolving credit is 8,0 MSEK (8,0). Solidity at the end of the period was 40,9% (68,4). Cash flow from operating activities was for the period 1,0 MSEK (0,1).

Accounts receivable were 17,2 MSEK (11,2) and trade payables were 8,8 MSEK (4,8). The inventories were 20,8 MSEK (15,5), all as per September 30, 2016. The increase of the inventories and other assets is explained by Balogh assets now being included.

Employees, organization and personnel

The number of employees in the TagMaster Group Was at the end of the period 71 (39). The average number of employees in TagMaster and CitySync were 19 and 18 respectively. The number of full time employees in CitySync has been decreased by 17 since the acquisition in 2015. Balogh has as per September 30, 36 employees, which will be decreased during coming periods.

Business during the quarter

Traffic Solutions (Access/Parking): We continue our work with the partner program and 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 our focus on North America, together with our local partner, being successful and more customers see the advantages with our products and the local service provided. We continue to actively build our brand being present at several fairs in this market, the world's largest RFID market and during the period we participated in fairs in both The US and in Canada, the leading parking fairs in the US. During 2017 we will also launch more of our ANPR products in the fast growing US market. We also continue the work to significantly strengthen our presence in our European markets where we believe there is a good opportunity for profitable growth during the years to come. We also see a stronger presence in our new home markets, UK and France, and we we work actively to become a stronger player in the DACH countries.

CitySync has during the quarter started to sell CitySync 50, which is an ANPR camera partly addressing the same application areas as TagMaster's Traffic products. We will continuously work with our existing and new customers with our combined and stronger product offering where our combined knowhow in RFID and ANPR will differentiate us. With this offering we will become a more attractive partner for the system integrators building the smart cities of the future. WQe will during the beginning of next year work intensively integrating our RFID and ANPR offering and the sales force will work with our complete assortment in their respective regions to implement synergies in a more natural way.

Rail Solutions

We have during the period started product deliveries for our big rail project and we expect the project work (NRE) should be finished during the fourth quarter. We do see that there will be delays in the project due to that our customer has seen delays from other suppliers. For us this means delayed product deliveries and that some sales budgeted for this year will roll over to 2017. We have during the first half year had a low level of serial deliveries to other Rail customers, but we believe that their project portfolios could increase during 2017, which will end up in new projects.

As we have mentioned before it is clear that our value proposition has become stronger with our new business model where we have the opportunity to offer our Rail customers to share our knowhow and application knowledge also in project form. We have already today a growing share of our Rail business through project sales and we see our relations developing positively while we also get access to more income flows increasing our business. We also see that our focus, a clear focus towards signaling systems suppliers, is successful.

We hope during 2017 to win more business within the CBTC (communication based train control) area and with the now finalized acquisition of Balogh our total product offering will become much stronger, among other with Balogh's strength within Tramway solutions, which will provide a new dimension for growth in our rail business.

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 fiscal year:

Year-end report:	January 26
Interim report, January - March:	April 27
Interim report, January – June:	July 14
Interim report, January – September:	October 27

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 October 27, 2016.

Consolidated income statement

KSEK	Q3		Q1 - Q3		Full year
	2016	2015	2016	2015	2015
Net sales	28 607	18 246	73 836	56 147	78 975
Cost of goods and services sold	-11 081	-7 872	-29 565	-24 152	-32 582
Gross profit	17 526	10 374	44 271	31 995	46 393
Other income and changes in value	218	386	160	-64	47
Other external costs	-7 719	-5 968	-17 549	-13 217	-18 231
Personnel cost	-8 115	-8 373	-24 852	-17 171	-25 507
Other operating expenses ¹	-203	-	-3 201	-	-
Operating profit before depreciation (EBITDA)	1 707	-3 581	-1 171	1 543	2 702
Depreciation	-77	-92	-220	-184	-287
Goodwill amortization	-575	-501	-1 602	-501	-1 078
Operating profit after depreciation (EBIT)	1 055	-4 174	-2 993	858	1 337
Financial items	-49	-1	-273	-50	-50
Profit before tax	1 006	-4 175	-3 266	808	1 287
Tax	-1 153	-338	-1 153	-1 441	1 866
Net profit	-147	-4 513	-4 419	-633	3 153

¹ Other operating expenses are related to restructuring activities and write down of project costs

Key ratios

	Q3		Q1 - Q3		Full year
	2016	2015	2016	2015	2015
Net sales growth, %	56,8	40,7	31,5	28,7	26,4
EBITDA-margin, %	6,0	-19,6	-1,6	2,7	3,4
Earnings per share before dilution, SEK	0,00	-0,03	-0,03	0,00	0,02
Earnings per share after dilution, SEK	0,00	-0,03	-0,03	0,00	0,02
Number of shares, average, thousand	167 824	167 824	167 824	137 008	144 712
Number of shares, end of the period, thousand	167 824	167 824	167 824	167 824	167 824

Consolidated balance sheet

KSEK	30 Sept		
	2016	2015	2015-12-31
ASSETS			
Non-current assets	32 544	24 146	25 580
Inventories	20 810	15 482	14 372
Trade receivables	17 173	11 208	14 786
Other receivables	13 301	3 156	2 604
Cash and cash equivalents	7 886	5 939	4 492
TOTAL ASSETS	91 714	59 931	61 834
EQUITY AND LIABILITIES			
Equity	37 500	40 968	44 059
Non-current liabilities	11 394	990	1 476
Trade payables	8 821	4 841	6 042
Other current liabilities	33 999	13 132	10 257
TOTAL EQUITY AND LIABILITIES	91 714	59 931	61 834

Changes in consolidated equity

KSEK	30 Sept		
	2016	2015	2015-12-31
<i>Opening balance parent company</i>		13 493	
Formation of group	44 059		13 493
New emission	-	28 397	28 390
Warrant payment	170	-	697
Transaction difference	-2 310	-289	-1 674
Net result	-4 419	-633	3 153
TOTAL EQUITY	37 500	40 968	44 059

Consolidates cash flow analysis

KSEK	Q3		Q1 - Q3		Full year
	2016	2015	2016	2015	2015
Cash flow from operating activities before change in working capital	5 242	-3 652	4 812	1 423	3 109
Change in working capital	-4 278	3 764	-6 047	5 899	2 069
Cash flow from operating activities	964	112	-1 235	7 322	5 178
Cash flow from financing activities	-4 041	-35 124	-4 041	-35 174	-35 174
Cash flow from financing activities	-500	-59	8 670	27 922	28 619
Cash flow	-3 577	-35 071	3 394	70	-1 377
Cash and cash equivalents at beginning of period	11 463	41 010	4 492	5 869	5 869
Cash and cash equivalents at end of period	7 886	5 939	7 886	5 939	4 492

Parent company income statement

KSEK	Q3		Q1 - Q3		Full year
	2016	2015	2016	2015	2015
Net sales	22 199	13 446	57 255	51 347	66 468
Cost of goods and services sold	-8 661	-6 215	-23 730	-22 495	-28 472
Gross profit	13 538	7 231	33 525	28 852	37 996
Other income and changes in value	349	373	64	-77	46
Other external cost	-5 306	-2 168	-12 389	-9 417	-12 830
Personnel cost	-4 776	-3 903	-15 388	-12 700	-17 499
Operating profit before depreciation (EBITDA)	3 805	1 533	5 812	6 658	7 713
Depreciation	-	-	0	-92	-92
Operating profit after depreciation (EBIT)	3 805	1 533	5 812	6 566	7 621
Financial items	-128	-	-606	-50	-311
Profit before tax	3 677	1 533	5 206	6 516	7 310
Appropriations	-	-	697	-	-
Tax	-1 153	-338	-1 153	-1 441	1 866
Net result	2 524	1 195	4 750	5 075	9 176

Parent company balance sheet

KSEK	30 Sept		
	2016	2015	2015-12-31
ASSETS			
Non-current assets	3 041	1 861	4 194
Shares in subsidiaries	40 428	35 224	35 224
Long-term receivables from group companies	10 185	2 142	2 847
Inventories	8 648	8 323	8 405
Trade receivables	8 423	5 606	7 891
Other receivables	2 645	2 327	1 911
Current receivables from group companies	697	-	-
Cash and cash equivalents	4 182	3 363	2 990
TOTAL ASSETS	78 249	58 846	63 462
EQUITY AND LIABILITIES			
Equity	55 809	46 965	51 059
Non-current liabilities	9 543	543	1 043
Trade payables	4 708	3 259	4 829
Other current liabilities	8 189	8 079	6 531
TOTAL EQUITY AND LIABILITIES	78 249	58 846	63 462

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 2015 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on October 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 October 27, 2016

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson
CEO