

TagMaster

HALF-YEAR REPORT FOR TAGMASTER AB January-June 2013

Sales increase continues

The second quarter

- Net sales increased during the second quarter by 9% to 11,3 MSEK (10,4)
- Result before depreciation (EBITDA) was 0,2 MSEK (0,4)
- Net result was -0,2 (0,1)
- Result per share was 0,00 SEK (0,00)

First half of the year

- Net sales increased during the period by 30% to 25,7 MSEK (19,8), of which project work was 24%
- Result before depreciation (EBITDA) increased to 2,1 MSEK (0,6)
- Net result was 1,3 MSEK (-0,1)
- Result per share was 0,01 (0,00)
- Cash flow from the business was -2,6 MSEK (-2,3)

Sales and result

TSEK	Second quarter			First half-year		
	2013	2012	Change	2013	2012	Change
Sales	11 273	10 383	9%	25 704	19 789	30%
Result from sales (EBITDA)	183	359	-49%	2123	616	245%
Margin from sales(EBITDA)	1,6%	3,5%		8,3%	3,1%	
Result before tax	-193	123	-257%	1324	-91	-1555%
Operational cash flow	-2110	829	-355%	-2579	-2271	14%
Result per share	0	0		0,01	0	

About TagMaster

TagMaster is an application driven technology company that designs and markets advanced radio frequency identification (RFID) systems and information products for demanding environments. Application areas include vehicle access control, rail bound transportation and logistics, 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.

www.tagmaster.com

Comments by the CEO

Our positive sales development has continued but at slower pace. Some of our traditionally very important markets, like southern Europe, have had a very weak development connected to a generally low business activity in these countries. Our investment in the important North American market continues and the development is positive.

We have identified certain weaknesses in our present product offering and to strengthen our presence in mainly the Access/Parking (AVI) segment we will launch a new family of products in the UHF area. TagMaster has historically only worked in the premium segment, but as the market has developed and competition has increased, we see a need to offer the market products also in the “medium & entry level” segments where the growth is the strongest.

We judge that our addressable market could increase significantly by widening our product offering and at the same time address new applications increasing our competitiveness. Our new product family will of course have all the characteristics which the market connects with TagMaster products like robustness, easy installation and long lifetime.

The specification for our new product family has been finalized during the second quarter and we plan to launch towards the end of the year with gradually increased sales during the first half of 2014.

Our Transportation (Rail) business has had a slower order intake compared to last year. The project with Alstom is running well according to plan and we hope this cooperation should lead to new projects and future extensions. We have also started discussions with a new potential partner in the Rail business which could provide us with further market share in this segment. The work on new tags for ultra-long life time (>20 years) continues and final discussions with our partners is expected to be finalized during summer.

As we have said before we are in the middle of a turnaround process, which will have influence on our quarterly figures during a number of quarters ahead. It is essential to be able to launch our new product family as soon as possible to strengthen our sales and thereby get a stable base to build a profitable growth company.

Jonas Svensson
CEO

Comments to the result and to the balance sheet

Sales and result

During the quarter increased sales has been noted. Net sales for the period was 11,3 MSEK (10,4), an increase by 9%. Result before depreciations (EBITDA) was 0,2 MSEK (0,4) corresponding to a margin of 1,6 % (3,5).

Costs during the quarter were 6,9 MSEK (5,9). No activation of direct development costs has been made.

Cash flow and financial position

As per June 30, 2013 liquidity was 1,2 MSEK (2,3). The revolving credit is 4,0 MSEK (4,0) and locked funds were 0,5 MSEK (0,5). Solidity was at the end of the period 26,7 % (41,7). Cash flow from the business was for the period -2,6 MSEK (-2,3)

The liquidity of the company has been impacted negatively by payments for reservations made last year for among other the management changes made last year. At the end of the quarter there has also been a buildup of stock to enable handling of deliveries during the summer period when some of the main suppliers are closed.

Liquidity planning is based on regular follow up of costs and income including a detailed analysis of the cash flow for the next coming period. Liquidity and cash flow are priorities in the daily work and the dialogue with financiers, suppliers and customers is continuous. The board therefore today considers that the company has sufficient liquidity for the coming 12 months.

Accounts receivable were 7,5 MSEK (5,6) and supplier debts were 6,0 MSEK (3,8). The stock was 8,3 MSEK (6,8), as per June 30, 2013.

Activities during the quarter

Access/Parking (AVI): The sales in these segments have developed well compared to last year. We have the intention to increase our efforts by market activities and by finding more partners. We will also continue to identify and engage more distributors in further markets. TagMaster will thereby be able to reach more integrators and become part of more projects with less own investment. A corner stone in our strategy is to focus more on the geographical markets where we already are present and we have during the period continued our work together with our partner in North America to increase our presence in this market, the world's biggest RFID market. With more innovative products in this segment we will also be able to increase our presence with existing and new customers, which should lead to increased sales.

Transportation (Rail): The segment has had a lower order intake during the period, but many new deliveries and development projects are discussed, both with existing customers and with new potential partners. A relatively big project was unfortunately lost due to that the end customer chose another technical solution not offered by our partner. The Alstom project is running well and we

expect to start product deliveries in the beginning of 2014. We are also involved in tests in further countries regarding goods wagon identification (earlier we have delivered to Trafikverket in Sweden).

Employees, organization and personnel

The number of employees at TagMaster AB was at the end of the period 13 (11). The average number of employees was 13 (11).

Looking forward

The future outlook is unchanged and the company has good opportunities to grow in Access/Parking as well as in Transportation. TagMaster's market share is still small in a large and growing market which means that future growth depends mainly on the company's own ability. As a company we are still in a turnaround situation and the coming quarters will be uneven before we reach a more stable base for growth. To meet the demands in the market and to take back our position as the market leading supplier of advanced RFID solutions TagMaster will continue to develop and launch innovative products, develop and extend existing partner networks and recruit further competent personnel. In September the development department will be strengthened by one more person.

About reporting 2013

TagMaster AB with daughter company TagMaster SB has until the third quarter 2012 been reported as a Group. Since the daughter company TagMaster SB was divested per November 30, 2012, only the TagMaster AB figures for the first quarter and for the year 2012 are reported.

Coming reports 2013-14

24 October, 2013, quarterly report July-September 2013

13 February, 2014, quarterly report October-December and year-end report 2013

This report and previous financial reports and press releases are to be found on the company home page www.tagmaster.com

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RESULT (SEK 000)	Q2	Q2	Q1-Q2	Q1-Q2	Full year
TagMaster AB (publ)	2013	2012	2013	2012	2012
Net revenue products	8 618	10 220	20 696	19 725	39 616
Project revenue	2 302	0	4 821	0	0
Other revenue	353	163	187	64	64
TOTAL REVENUE	11 273	10 383	25 704	19 789	39 681
<i>Costs</i>					
Purchased goods	-4 171	-4 032	-9 683	-8 021	-16 881
Other external costs	-3 422	-3 687	-7 220	-6 242	-12 050
Personnel costs	-3 497	-2 211	-6 515	-4 751	-10 317
Other costs	0	0	0	-65	-185
Items affecting comparability	0	-94	-163	-94	-94
RESULT BEFORE DEPRECIATION (EBITDA)	183	359	2 123	616	154
Depreciations	-324	-307	-678	-670	-1 283
RESULT AFTER DEPRECIATIONS (EBIT)	-141	52	1 445	-54	-1 130
<i>Financial income and costs</i>					
Ränteintäkter	0	71	0	0	0
Interest and financial costs	-52	0	-121	-37	-141
Depreciation of shares and debts daughter companies					-4 195
TOTAL FINANCIAL INCOME AND COSTS	-52	71	-121	-37	-4 336
PERIODIC RESULT	-193	123	1 324	-91	-5 466
RESULT PER SHARE	0,00	0	0,01	0	-0,05
NUMBER OF SHARES, average	107 731 708	99 846 275	107 731 708	97 603 006	102 695 031
NUMBER OF SHARES, end of period	107 731 708	107 731 708	107 731 708	107 731 708	107 731 708

Balance sheet	2013-06-30	2012-06-30	2012-12-31
TILLGÅNGAR			
<i>Fixed assets</i>			
Balanced expenditure for development costs	959	2 150	1 578
<i>Tangible assets</i>			
Inventory, tools and installations	198	120	257
<i>Finansiella anläggningstillgångar</i>			
Shares in daughter companies	100	3 109	100
Total fixed assets	1 257	5 379	1 935
<i>Current assets</i>			
<i>Stock</i>			
Goods for sale	8 293	6 775	5 777
<i>Short term claims</i>			
Accounts receivable	7 256	5 650	4 419
Claims on Group companies	0	806	0
Other short term claims	1 467	946	1 183
Current tax claims	625	610	430
Prepaid costs and work in progress	705	992	519
Cash and bank	654	1 505	1 607
Total current assets	19 000	17 284	13 934
TOTAL ASSETS	20 257	22 663	15 869
OWN CAPITAL AND DEBT	2013-06-30	2012-06-30	2012-12-31
<i>Own capital</i>			
Share capital	5 387	10 773	10 773
Bound reserves	42 967	42 967	42 967
Share premium reserve	20 803	20 803	20 803
Balanced loss	-65 066	-64 987	-64 987
Result from the period	1 324	-91	-5 466
Total own capital	5 415	9 465	4 090
Provisions	0	31	31
Total provisions	0	31	31
Long term debts	457	717	587
Debts to Group companies	93	93	93
Total long term debts	550	810	680
<i>Short term debts</i>			
Credit facility	3 516	3 242	1 760
Accounts payable	6 022	3 781	3 625
Short term loans	0	0	0
Other short term debts	638	256	1 202
Accrued cost and prepaid income	4 116	5 078	4 480
Total short term debts	14 292	12 357	11 068
TOTAL OWN CAPITAL AND DEBTS	20 257	22 663	15 869
SECURITIES AND CONTINGENT LIABILITIES			
Liabilities	7 512	7 512	7 512
Pledged assets	None	None	None

CASH FLOW ANALYSIS (SEK 000)			
TagMaster AB (publ)	Q1-Q2 2013	Q1-Q2 2012	Helår 2012
FROM ORDINARY BUSINESS			
Result before financials	1 445	-54	-1 130
Depreciations	678	670	1 283
Other non-cash influencing costs	-31	19	10
Received interest			0
Paid interest and financial costs	-121	-37	-141
Increase/decrease stock	-2 516	1 533	2 530
Increase/decrease accounts receivable	-2 837	-1 774	-542
Increase/decrease other short term receivables	-665	20	140
Increase/decrease supplier debts	2 396	-1 722	-1 877
Increase/decrease other short term debts	-928	-926	-652
Cash flow from ordinary business	-2 579	-2 271	-379
INVESTMENT ACTIVITIES			
Investment in tangible assets	0	0	-179
Cash flow from investment activities	0	0	-179
FINANCING ACTIVITY			
New loans	1 756	3 241	1 760
Amortization of loans	-130	-130	-260
Cash flow from finance activities	1 626	3 111	1 500
PERIODIC CASH FLOW	-953	840	942
Cash at the beginning of the period	1 607	665	665
Cash at the end of the period	654	1 505	1 607
Cash including not used credits	1 138	2 263	3 846

CHANGE IN OWN CAPITAL (SEK 000)					
TagMaster AB (publ)	Share capital	Bound reserves	Share premium reserve	Balanced result	Total own capital
Own capital 2011-12-31	9 536	42 967	19 241	-64 987	6 756
Periodic result				-5 466	-5 466
Prioritized emission	1 237		1 562		2 799
Own capital 2012-12-31	10 773	42 967	20 803	-70 453	4 090
Periodic result				1 324	1 324
Decrease in share capital	-5 386			5 387	1
Own capital 2013-06-30	5 387	42 967	20 803	-63 742	5 415

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 2007:1 is applied. The same accounting principles have been applied as in the latest published annual report.

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2012 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on August 8 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 August 8, 2013

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO