

TagMaster

YEAR END REPORT FOR TAGMASTER AB (publ.)

PERIOD 2012-01-01 – 2012-12-31

Full focus on customers and on developing the business!

Fourth quarter

- The good order intake continues
- Jonas Svensson new CEO from October 1
- Divesting of loss making TagMaster SB in Malaysia
- Intensive work for new customer, Alstom in France, started by TagMaster
- Net sales quarter four: 10,0 MSEK (9,4), a 7 % growth
- Operating income quarter four (EBITDA): -1,0 MSEK (-2,9) excluding TagMaster SB effects
- Result quarter four after debt depreciation related to TagMaster SB: -2,5 MSEK (-5,5)

Full year

- Increased sales and sales focus
- Refocusing on core business
- New board and chairman
- Relocation to more cost efficient premises
- Successful participation in InnoTrans exhibition in Berlin
- Major cost reductions achieved
- Net sales full year: 39,6 MSEK (34,2), a 16% growth
- Operating income full year (EBITDA): +0,2 MSEK (-9,5)
- Operating cash flow full year: -0,4 MSEK (-4,7)
- Accumulated result after goodwill impairment charge and debt depreciation related to TagMaster SB: -5.5 MSEK (-13,3)
- No dividend is proposed

Sales and income

TSEK	Fourth quarter			Full year		
	2012	2011	Change	2012	2011	Change
Sales	10 043	9 406	7%	39 616	34 190	16%
Operating income (EBITDA)	-983	-2 936	-67%	154	-9 524	-102%
Operating margin (EBITDA)	-9,8%	-31,2%		0,4%	-27,9%	
Income before tax	-2 514	-5 460	-54%	-5 466	-13 265	-59%
Operating cash flow				-379	-4 677	-90%
Earnings per share	-0,02	-0,06	-59%	-0,05	-0,16	-68%

Fourth quarter

The fourth quarter has been dominated by two major tasks apart from continued focus on sales. The first is the divesting of the loss making company TagMaster SB in Malaysia, which was successfully completed by November 30, 2012. The second is discussions about a new major project within our Transportation segment including a substantial NRE (Non Recurrent Engineering) part with a new customer for TagMaster, the well-known French train manufacturer Alstom, which has just recently presented in a separate press release.

Invoicing and result

Sales in the fourth quarter have remained stable and a temporary lower sale in the fourth quarter within Transportation has been compensated by a higher sale in Access/Parking. The fourth quarter sales increased by nearly 7% and totaled 10,0 MSEK (9,4). The net income amounted to -2,5 MSEK (-5,5) corresponding to SEK (-0,02) per share. These figures include costs incurred by TagMaster SB on TagMaster AB of about 1,2 MSEK. Since the sales ended up substantially above what was budgeted for the fourth quarter the gross profit has increased and the bonus agreements signed with employees in the beginning of the year have accelerated and costs incurred from this is more than 0,6 MSEK in addition to what has been reserved for. In addition to this there is some write off of the inventory for slow moving items of around 0,2 MSEK.

The costs during the quarter were 6,2 MSEK (6,6).

Full year 2012

The year 2012 has been a very turbulent year for TagMaster. The first half year was very much characterized by a new and temporary management and with multiple consultants trying to find cost savings. This lead unfortunately to less focus on the business and it was of course very tough for the employees. At the end of the first half year the economical situation was very challenging.

A new board was elected at the Annual General Meeting in June. This has led to a changed focus. During the first period the main focus was on cash flow generation and on how to survive. At the same time, measures were taken to secure full focus on the business and therefore refocus on our customers. We needed to set our strategy for going forward and we also needed to start the process to find a qualified sales and market oriented CEO for TagMaster. And we had a loss making business in Malaysia (TagMaster SB), with very low sales, to take care of. This led to the conclusion that we had to divest the Malaysian company. This was finally agreed in November when we sold the company to a Malaysian buyer already dealing in RFID business in Malaysia. This resulted in a goodwill impairment charge and debt depreciation related to TagMaster SB. The debt was loans from parent company, loans given to cover losses since the company was acquired in May 2011.

The refocus on our core business and on our customers has led to that we have managed to grow visibly in sales over 2011 with 16% and that we have a small positive EBITDA for the year compared to losses of almost 10 MSEK for 2011, net income amounted to -5,5 MSEK (-13,3) in losses due to the Malaysian goodwill impairment charge and debt write offs.

Both main business areas in the agreed strategy for going forward have shown growth and the interest for the TagMaster products has remained and even increased in both areas. We see a lot of activity in both Access/Parking and in transportation as we go forward.

TagMaster is going into 2013 with a more cost efficient organization and with focus set on our business. Cash flow will be prioritized throughout the year. Our expectations for 2013 are both further increase in sales and a positive bottom line.

Invoicing and result

For the full year the net sales is totally 39,6 MSEK (34,2). The operating income (EBITDA) for the full year is +0,2 MSEK (-9,5). The costs for the full year were 22,6 MSEK (26,6).

Cost savings which have gradually come into effect during the year and will have full effect 2013:

Personnel costs (fewer employees)	-2,2 MSEK
Other costs	-0,4 MSEK
Rent of premises	-0,7 MSEK
TOTAL	-3,3 MSEK

Non-recurring costs during the year

There are a number of costs which are non-recurring during 2012 amounting to around 7 MSEK. This includes impairment charges of investment in TagMaster SB including loans and losses, consultant's costs during the first half year, additional bonus costs and relocation costs. Around 3,5 MSEK of these costs have also influenced cash-flow negatively.

Liquidity

Per December 31, 2012 TagMaster had liquid assets of 3,8 MSEK (4,7). The revolving credit amounts to 4,0 MSEK (4,0) and locked funds is 0,5 MSEK (0,5).

TagMaster's cash position has improved during the second half of the year from a very tough and strained position at the end of quarter two. The main reasons for the improvement are growing sales and lower costs.

Liquidity planning for the company is based on regular follow-up of costs and sales and also a detailed analysis of the cash flow for the next future. Liquidity and cash flow have priority in the daily work and the dialogue with creditors, suppliers and customers is continuous. The board therefore, based on the reduced cost structure in the company and the positive sales development, makes the judgment that the company has sufficient liquidity for the coming 12 months.

Accounts receivable were 4,4 MSEK (3,9) and accounts payable were 3,6 MSEK (5,5). The inventories were 5,8 MSEK (8,3).

Access and Parking (AVI): The efforts to search for, identify and engage distributors in the most important markets have ended up in the first agreements in some key markets during the fourth quarter. TagMaster should thereby be able to reach more integrators and become part of more projects with less own effort. Access and Parking sales are 64 % of total sales 2012.

Transportation: There are many requests in the business area and TagMaster has to make sure to make the right priorities to spend resources on what could end up as real projects in a reasonable time and thereby even decline some requests. One big project that has come to fruition is the project with Alstom in France, which has been mentioned above. Transportation sales 2012 are 36 % of total sales 2012.

Technology and products: The new UHF products have seen an increasing sales volume and is now accounting for more than 10% of sales, and the established 2,4 GHz products have also grown during the year.

Organization and personnel

TagMaster AB has during the year had in average 12 (16) employees.

TagMaster AB has two daughter companies, TagMaster Finance and TagMaster China Holding, which are both non active companies.

There are two associated companies through long term cooperation agreements, TagMaster China and TagMaster North America Inc. They have the sales responsibility in China and the US respectively. TagMaster AB has presently no ownership in these companies.

Looking forward

The future outlook is unchanged and the company has very good growth opportunities within Access/Parking as well as in Transportation. TagMaster's market share is still small in a big and growing, in some parts even fast growing market, which means that future growth is mostly dependent on the company's own ability. As of the beginning of February the sales force has been strengthened by one experienced sales person within the Access/Parking business.

About 2012 reporting

TagMaster AB with daughter company TagMaster SB has been a Group and accounting has been made and shown accordingly. From the fourth quarter and for the full year the accounting is for TagMaster AB only since TagMaster SB has been divested by November 30, 2012.

Coming reports 2013-14

May 3, 2013, quarterly report January – March 2013

August 8, 2013, quarterly report April – June 2013

October 24, 2013, quarterly report July – September 2013

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

Annual General meeting 2014 is proposed to take place April 24, 2014

Annual General Meeting (AGM)

April 18, 2013

Invitation to the meeting will be published no less than 4 weeks before the AGM at the company home page and in "Post & Inrikes Tidningar".

The annual report 2012 will be available no later than March 15, 2013 on the company home page www.tagmaster.com

Nominating committee

According to the company rules the nominating committee is composed of the three biggest shareholders, the chairman and one representative for the smaller shareholders. The nominating committee for the AGM 2013 includes Jan Westlund, Tomas Brunberg, Didrik Hamilton, Mikael Aronowitsch (representing the smaller shareholders) and Rolf Norberg, Jan Westlund is the committee chairman and also representing Gert Sviberg.

Control balance sheet established

Due to the development of the business in Malaysia and the following sale of the Malaysian company in November 2012 TagMaster has suffered a major loss in capital through goodwill impairment charges and debt depreciation related to TagMaster SB. The total capital has come very close to 50% of the share capital and according to the Swedish Companies Act, the board of directors should, as soon as the shareholders' equity capital is less than half of the registered share capital, make a balance sheet for liquidation purposes. The board of directors has done this and it shows that there is still some margin to 50% of the share capital, but that the margin is thin. To address this issue the board of directors will propose the AGM to decide on a reduction of the share capital by setting down the nominal value of the TagMaster share from 0,10 SEK to 0,05 SEK.

Contact persons

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RESULT (SEK 000)	Q4	Q4	Full year	Full year
TagMaster AB (publ)	2012	2011	2012	2011
Net revenue	10 043	9 406	39 616	34 190
Activated work for the company	0	319	0	1 011
Other revenue	236	187	64	436
TOTAL REVENUE	10 279	9 912	39 681	35 636
<i>Costs</i>				
Purchased goods	-5 023	-4 745	-16 881	-17 291
Other external costs	-2 936	-2 927	-12 050	-10 615
Personnel costs	-3 304	-3 664	-10 317	-15 585
Other costs	0	-242	-185	-402
Items affecting comparability	0	-1 269	-94	-1 269
RESULT BEFORE DEPRECIATION (EBITDA)	-983	-2 936	154	-9 524
Depreciation	-305	-766	-1 283	-1 768
Writing off	0	0	0	0
RESULT AFTER DEPRECIATION (EBIT)	-1 288	-3 702	-1 130	-11 292
<i>Financial income and costs</i>				
Interest income	0	1	0	23
Interest and financial costs	-41	-127	-141	-364
Depreciation of shares and debts daughter companies	-1 186	-1632	-4 195	-1632
TOTAL FINANCIAL INCOME AND COSTS	-1 226	-1 758	-4 336	-1973
PERIODIC RESULT	-2 514	-5 460	-5 466	-13 265
RESULT PER SHARE	-0,02	-0,06	-0,05	-0,16
NUMBER OF SHARES, average	107 731 708	95 359 736	102 695 031	80 570 465
NUMBER OF SHARES, end of period	107 731 708	95 359 736	107 731 708	95 359 736

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BALANCE SHEET (SEK 000)

	2012-12-31	2011-12-31
ASSETS		
<i>Fixed assets</i>		
<i>Intangible assets</i>		
Goodwill		
Balanced expenditure for development costs	1 578	2 776
<i>Tangible assets</i>		
Inventory, tools and installations	257	258
Shares in daughter companies	100	3 109
Total fixed assets	1 935	6 143
<i>Current assets</i>		
<i>Stock</i>		
Goods for sale	5 777	8 307
<i>Short term claims</i>		
Accounts receivable	4 419	3 877
Claims on Group companies	0	595
Other short term claims	1 183	832
Current tax claims	430	416
Prepaid costs and work in progress	519	1 531
Cash and Bank	1 607	664
Total current assets	13 934	16 222
TOTAL ASSETS	15 869	22 365
	2012-12-31	2011-12-31
OWN CAPITAL AND DEBT		
<i>Own capital</i>		
Share capital (107 731 708 resp. 95 359 736 shares)	10 773	9 536
Bound reserves	42 967	42 967
Share premium reserve	20 803	19 241
Balanced loss	-64 987	-51 723
Result from the year	-5 466	-13 265
Total own capital	4 090	6 757
Provisions	31	31
Total provisions	31	31
Long term debts	587	848
Debts to Group companies	93	93
Total long term debts	680	941
<i>Short term debts</i>		
Credit facility	1 760	0
Accounts payable	3 625	5 502
Short term loans	0	2 873
Tax debts	-	
Debts to Group companies	-	
Other short term debts	1 202	1 481
Accrued cost and prepaid income	4 480	4 779
Total short term debts	11 068	14 636
TOTAL OWN CAPITAL AND DEBTS	15 869	22 365
SECURITIES AND CONTINGENT LIABILITIES		
Liabilities	7 512	7 520
Pledged assets	None	None

CASH FLOW ANALYSIS (SEK 000)	TagMaster AB (publ)	
	2012	2011
FROM ORDINARY BUSINESS		
Result before financials	-1 130	-12 924
Depreciations	1 283	3 400
Other non cash influencing costs	10	0
Received interest	0	23
Paid interest and finance costs	-141	-364
Increase/decrease stock	2 530	-2 085
Increase/decrease accounts receivable	-542	6 155
Increase/decrease other short term receivables	140	-825
Increase/decrease supplier debts	-1 877	-1 208
Increase/decrease other short term debts	-652	3 151
Cash flow from ordinary business	-379	-4 677
INVESTMENT ACTIVITIES		
Investment in daughter companies	0	-2 200
Investment in intangible assets	0	-2 130
Investment in tangible assets	-179	-46
Cash flow from investment activities	-179	-4 376
FINANCING ACTIVITY		
Share issue	0	7 863
New loans	1 760	3 873
Amortization of loans	-260	-2 152
Cash flow from finance	1500	9 584
PERIODIC CASH FLOW	942	532
Cash at the beginning of the period	665	133
Cash at the end of the period	1607	665
Cash including not used credits	3 846	4 665

CHANGE IN OWN CAPITAL (SEK 000)					
TagMaster AB (publ)	Share capital	Bound reserves	Share premium reserve	Balanced result	Total own capital
Own capital 2010-12-31	5 851	42 967	12 631	-51 722	9 725
Period result				-13 265	-13 265
Prioritized emission	2 925		4 938		7 863
New emission	760		1 672		2 432
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
New emission					0
Own capital 2012-12-31	10 773	42 967	20 803	-70 453	4 090

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 2011 under the section “Riskfaktorer”.

This report has not been reviewed by the company auditor.

The information is published on February 14 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 February 14, 2013

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO