

Interim report January to September 2018

Successfully implemented cost cut activities

Third quarter

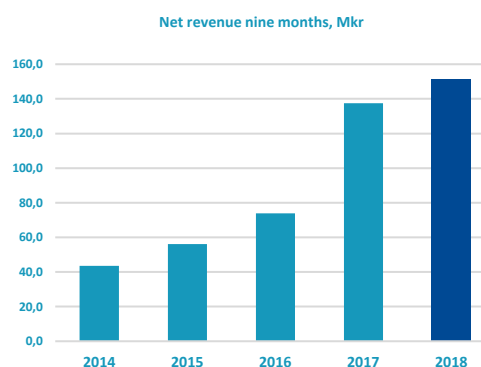
- Net sales decreased during the third quarter by 2,6% to 43,8 MSEK (45,0)
- Result before depreciation (EBITDA) for the third quarter amounted to 3,2 MSEK (4,0), corresponding to a margin of 7,3% (9,0)
- Net result after tax was 0,1 MSEK (2,3)
- Result per share was 0,00 (0,01)
- Cash flow from the business for the period was -1,5 MSEK (4,3)
- August 30th a newly formed subsidiary acquires all the assets related to the IoT specialist Hikob's sensor products, gateway systems, the data collection platform and the related R&D team, all based in Grenoble (France). The consideration of approx. 1M€ was funded from existing bank facilities.

January - September

- Net sales increased during the period by 10,2% to 151,5 MSEK (137,5)
- Result before depreciation (EBITDA) was 11,8 MSEK (14,1), corresponding to a margin of 7,8% (10,2)
- Net result after tax was 3,8 MSEK (9,5)
- Result per share was 0,02 (0,05)
- Cash flow from the business for the period was 6,9 MSEK (15,8)

INCREASE IN NET SALES, nine months

+10,2%



About TagMaster

TagMaster is an application driven technology company that designs and markets advanced sensor systems and solutions based on radio & vision technology (RFID, Radar & ANPR) for demanding environments. Business areas include Traffic Solutions and Rail Solutions sold under the brands TagMaster, CitySync, Balogh, CA Traffic, Magsys and Hikob 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 and, systems integrators. 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 Erik Penser Bank www.tagmaster.com

Comments by the CEO

Our sales during the quarter has been influenced by the vocational months and by that we have taken some product/services areas with lower margins away to simplify our business. Earlier made personnel reductions start to show result in a lower cost level. The cash flow has been influenced negatively by payments of around 4 MSEK for earlier announced personnel reductions.

Our British businesses, CA Traffic and CitySync, have started to harvest from the ongoing integration, but they still have a way to go to reach our profit goals. Cost reductions are in principle ready and we continue the work to strengthen our sales and marketing resources.

Our French businesses have during the period shown satisfactory momentum, where Balogh continues to show good development. Personnel reductions in Balogh are in principle ready and we will soon have a cost level able to deliver a good profit also at lower volumes. Magsys has taken several projects with CA Traffic solutions in the French market and they have also started the introduction of CA Traffics management system for traffic solutions. The French government has the ambition to increase investments in favor of bicycle traffic in the cities and Magsys and CA Traffic will together offer solutions and be part of this exciting market. CitySync's products have been adopted to the French market and are now ready to be marketed in full scale.

Our acquisition of Hikob strengthen our presence even further in the French market for smart cities and their IoT products are an important strategic complement both for parking solutions and for our traffic solutions. Hikob is one of the pioneers in sensor products for use together with charging stations for electric cars and they also work with sensors for environment and weather. We see in front of us Hikob's products to be sold by CA Traffic in UK, by TagMaster in the Nordics and that some of our international sales channels could start selling Hikob's products during 2019.

In France we have started recruitment to strengthen our sales and marketing resources.

TagMaster has had a quarter in line with expectations, considering that our rail sales are lower during 2018, with continued heavy development work with our new products for toll roads which should be ready during Q4. TagMaster continues the launch of CA Traffic products as well as now also Hikob products in the Nordic market and medium term we expect good growth also in this market.

We have come a long way integrating our acquisitions, but it is still worth mentioning that the variation could be significant between quarters and even years since among others our rail business is volatile to its nature.

Jonas Svensson

CEO

Comments to the result and balance sheet

Turnover and result

The quarter's sales are at the same level as for the same period last year. Net sales for the third quarter was 43,8 MSEK (45,0), a decrease of 2,6%. The result (EBITDA) was 3,2 MSEK (4,0), an increase by 20,9%, which corresponds to a margin of 7,3% (9,0).

The costs during the quarter were 25,3 MSEK (24,7). The overall increase is related to a bigger structure coming from the acquisition of CA Traffic. No capitalization of direct development costs has been made. Included in tax on profit of the year is a tax revenue of 3,1 MSEK based on R&D expenditures in Balogh SA and CitySync.

Cash flow and financial position

As per September 30, 2018 available liquidity was 27,2 MSEK (39,3) of which the revolving credit is 10,8 MSEK (12,0). Solidity at the end of the period was 60,8% (53,1). Cash flow from the running business was for the period -1,5 MSEK (4,3). The negative cash flow is mainly explained by severance payments related to previously made provisions for accomplished restructuring activities. The acquisition made during the quarter was funded from existing bank facilities which explains the lower level of available liquidity.

Accounts receivable were 34,0 MSEK (28,3) and supplier debts were 9,3 MSEK (15,1). The inventories were 38,5 MSEK (37,1), all as per September 30, 2018. The increase of the inventories and other assets is explained by CA Traffic assets now being included. The inventory levels are on the way down and our assessment is that the inventories will be at normalized lower levels during the first half of 2019.

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 81 (91). The activities to streamline our organization continue and will lead to further staff reductions. However, we are investing in our sales organization which will outweigh any reductions.

Business during the quarter

Traffic Solutions (Access/Parking)

The acquisition of Hikob gives us another important piece to the puzzle in our work to offer sensor solutions based on several technologies and thereby also be a more complete partner for our customers. With several sensor products like RFID, Radar, Camera, and now also magnetic detection, we will in the future be able to build solutions around our product offerings.

We have divided our product offerings into four subgroups showing better how our companies work together. We have **Infomobility** consisting of Magsys and CA Traffics traffic products, we have **ANPR** composed of CitySync and CA Traffic ANPR products and who are now merged, and we also have **RFID Traffic** and **RFID Rail** consisting of TagMaster and Balogh. Our total competence in RFID, Radar, ANPR and traffic monitoring products (Infomobility) differentiate us, which was very visible at the IFSEC fair where we got a lot of attention. With the above offering, and with our focus on advanced sensor systems, we will become a more attractive partner for the system integrators building the smart cities of the future.

In India, where we sell RFID readers for toll roads, the quarter has been a bit quieter. We estimate this market to grow further, but we see the market as more reluctant and will stay so until the next election has passed.

CitySync continues to work towards the parking market but has also during the quarter launched an ANPR solution (CS50T) for the traffic market. CS50T is a camera for bigger roads and with several advance functions like classification of vehicles and among other functions to measure speed. Our core competence within algorithm development and in neural networks (AI) is used frequently in the development of ANPR solutions.

CA Traffic has during the quarter started initial tests of its new CityRadar family which will be used in smart cities to detect pedestrians, bikers and vehicles in the same system. With this product family CA Traffic together with Magsys will offer a complete bike monitor solution with hardware, software and reporting system.

We have continued to build our trade mark through participation in several fairs in our focus markets. During the period we participated in Asis (GSX) in Las Vegas and at ITS World Congress in Copenhagen.

Rail Solutions

We have during the quarter had ongoing serial deliveries to Rail customers. Balogh has in small scale started delivery of its new SIL4 product platform and TagMaster has during the quarter delivered its new RailTag to the London Underground project. We estimate that our customers' project portfolios will increase but some projects have been delayed into 2019. We are, however, still comfortable with that some of these bigger projects will come to us even if we are unsure about when.

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 results development will stop momentarily as we invest in future growth, which means costs may come before revenue. We will also see variations between quarterly volumes since our Rail business is volatile and product deliveries may vary between quarters. We will also see variations between quarters due to our acquisitions requiring changes of different amplitude, which could also take longer than planned. To meet the demand and to aspire to the position of market leading supplier of advanced RFID, Radar & ANPR solutions, TagMaster/CitySync/Balogh/CA Traffic/Magsys will continue to develop and launch new innovative products, develop and expand its partner networks and recruit further competent personnel. TagMaster will continue the work to find more opportunities to acquire selective businesses in adjacent technology areas with the purpose of increasing our offering and becoming a more attractive supplier of information which is a prerequisite to building the smart cities of the future.

Reporting dates

TagMaster will report on the following dates during the 2019 and 2020 fiscal year:

Year-end report 2018:	January 24
Interim report, January – March:	April 25
Annual General Meeting 2019	April 25
Interim report, January – June:	July 13
Interim report, January – September	October 25
Year End Report 2019	January 23

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 25, 2018.

Consolidated income statement

KSEK	Q3		Q1 - Q3		Full year
	2018	2017	2018	2017	2017
Net revenue	43 814	44 962	151 508	137 519	195 394
Change in inventories of product in progress and finished goods	-1 979	-40	-1 249	1 111	2 630
Other operating income	438	933	1 210	1 034	567
Total operating income	42 273	45 855	151 469	139 664	198 591
Goods for resale	-13 691	-16 336	-56 064	-48 629	-69 355
Other external costs	-10 601	-9 404	-31 922	-29 465	-38 913
Personnel costs	-14 690	-15 332	-51 367	-46 033	-67 797
Other operating expenses	-92	-742	-277	-1 478	-706
Operating profit before depreciation and amortization (EBITDA)	3 198	4 041	11 839	14 058	21 820
Depreciation	-153	-124	-553	-402	-582
Goodwill amortization	-2 722	-1 733	-7 755	-4 077	-6 645
Operating profit after depreciation and amortization (EBIT)	323	2 184	3 531	9 579	14 593
Financial items	-109	-245	-213	-459	-432
Profit after financial items	214	1 939	3 318	9 120	14 161
Tax	-74	367	509	327	2 909
Net profit	140	2 306	3 827	9 447	17 070

Key ratios

	Q3		Q1 - Q3		Full year
	2018	2017	2018	2017	2017
Net sales growth, %	-2,6	57,2	10,2	86,2	71,6
EBITDA-margin, %	7,3	9,0	7,8	10,2	11,2
Equity ratio, %	60,8	53,1			51,8
Earnings per share before dilution, SEK	0,00	0,01	0,02	0,05	0,09
Earnings per share after dilution, SEK	0,00	0,01	0,02	0,05	0,09
Number of shares, average, thousand	201 389	201 389	201 389	182 578	187 320
Number of shares, end of the period, thousand	201 389	201 389	201 389	201 389	201 389
Market price on closing day, SEK	1,47	2,02			1,65
Number of employees at end of period	81	91			92

Consolidated balance sheet

KSEK	30 Sept		
	2018	2017	2017-12-31
ASSETS			
Intangible assets	57 635	46 867	53 286
Tangible assets	2 427	813	1 425
Financial assets	6 511	7 632	9 135
Inventories	38 456	37 059	40 210
Trade receivables	34 010	28 325	46 267
Other receivables	15 633	17 278	13 259
Cash and cash equivalents	16 388	27 272	23 276
TOTAL ASSETS	171 060	165 246	186 858
EQUITY AND LIABILITIES			
Equity	103 990	87 697	96 731
Provisions	9 369	7 623	17 604
Long term liabilities to credit institutions	7 250	8 067	7 598
Other long term liabilities	9 574	10 457	10 766
Trade payables	9 333	15 086	18 736
Other current liabilities	31 544	36 316	35 423
TOTAL EQUITY AND LIABILITIES	171 060	165 246	186 858

Changes in consolidated equity

KSEK	30 Sept		
	2018	2017	2017-12-31
Opening balance	96 731	45 707	45 707
New share issue		34 589	34 589
Warrant payment		-20	-20
Transaction difference	3 432	-2 026	-615
Net result	3 827	9 447	17 070
TOTAL EQUITY	103 990	87 697	96 731

Consolidates cash flow analysis

KSEK	Q3		Q1 - Q3		Full year
	2018	2017	2018	2017	2017
Cash flow from operating activities before change in working capital	2 903	7 433	10 497	18 345	38 403
Change in working capital	-4 447	-3 173	-3 567	-2 519	-17 865
Cash flow from operating activities	-1 544	4 260	6 930	15 826	20 538
Cash flow from investing activities	-12 079	-3 312	-12 148	-31 790	-40 132
Cash flow from financing activities	-1 016	-625	-2 016	33 410	32 911
Cash flow	-14 639	323	-7 234	17 446	13 317
Cash and cash equivalents at beginning of period	31 342	26 989	23 276	9 903	9 903
Effect of exchange differences	-315	-40	346	-77	56
Cash and cash equivalents at end of period	16 388	27 272	16 388	27 272	23 276

Parent company income statement

KSEK	Q3		Q1 - Q3		Full year
	2018	2017	2018	2017	2017
Net revenue	14 852	17 862	57 463	67 022	90 413
Other operating income	236	214	956	315	0
Total operating income	15 088	18 076	58 419	67 337	90 413
Goods for resale	-4 403	-7 211	-20 203	-25 245	-33 587
Other external costs	-4 728	-3 248	-12 216	-14 426	-20 116
Personnel costs	-5 256	-4 804	-17 713	-16 498	-22 436
Other operating expenses	-117	-534	-131	-1 186	-188
Operating profit (EBITDA)	584	2 279	8 156	9 982	14 086
Financial items	-616	-138	-189	-455	-263
Profit after financial items	-32	2 141	7 967	9 527	13 823
Tax	-169	-486	-1 929	-1 468	-3 316
Net profit	-201	1 655	6 038	8 059	10 507

Parent company balance sheet

KSEK	30 Sept		
	2018	2017	2017-12-31
ASSETS			
Shares in subsidiaries	88 930	72 798	88 930
Long-term receivables from group companies	24 366	8 957	9 288
Deferred tax asset	705	4 483	2 634
Inventories	12 095	11 727	13 053
Trade receivables	9 224	11 048	8 063
Current receivables from group companies	866	1 871	1 976
Other receivables	2 807	4 000	3 475
Cash and cash equivalents	1 164	21 669	15 382
TOTAL ASSETS	140 157	136 553	142 801
EQUITY AND LIABILITIES			
Equity	114 178	105 694	108 142
Provisions	4 784	2 093	7 819
Liabilities to credit institutions	7 219	8 000	7 500
Trade payables	2 543	7 914	7 485
Other current liabilities	11 433	12 852	11 855
TOTAL EQUITY AND LIABILITIES	140 157	136 553	142 801

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. This is described more extensively in the Annual report 2017.

Operational and financial risks

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2017 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on October 25 2018 at 08.30 CET.

Declaration

The Board of Directors and the CEO provide their assurance that the interim report gives a true and fair view of the Parent Company’s and the Group’s operations, positions and results and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Kista October 25, 2018

Rolf Norberg
Chairman

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson
CEO