

Year End Report 2016

High growth and strong finish

Fourth quarter

- Net sales increased during the fourth quarter by 75,5% to 40,1 MSEK (22,8)
- Result before depreciation (EBITDA) was 5,0 MSEK (1,2), corresponding to a margin of 12,4% (5,4)
- Net result after tax was 8,6 MSEK (4,3)
- Result per share was 0,05 (0,03)
- Both CitySync and the recently acquired Balogh made a positive quarter and the parent company made its best quarter ever with a result before depreciation (EBITDA) of 4,8 MSEK (1,1)
- Cash flow from the business for the period was 2,0 MSEK (-2,1)

January - December

- Net sales increased during the period by 44,2% to 114,0 MSEK (79,0)
- Result before depreciation (EBITDA) was 3,8 MSEK (2,7), corresponding to a margin of 3,3% (3,4)
- Net result after tax was 4,2 MSEK (3,2)
- Result per share was 0,03 (0,02)
- Cash flow from the business for the period was 0,8 MSEK (5,2)
- No dividend is proposed

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 fourth quarter has been good for TagMaster and CitySync as well as Balogh have achieved positive results.

We see that our turnaround work with CitySync, which principally is ready now, has effect and our new products started delivery during the quarter and were well received. Our sales during the quarter ended according to plan and we will now speed it up.

During the quarter, we also started a turnaround work with Balogh with the purpose to lower personnel costs as well as other costs, decrease the number of products and simplify the business processes. The cost savings are estimated at around 6 MSEK on a yearly basis and we expect the work to be done during the first half year 2017.

Our rail business has been good during the quarter and product deliveries have continued for the big rail project announced at the end of 2015 and for another smaller project. Deliveries will continue, somewhat slower, during 2017. We are approaching the end of a development project for a new Railtag, with a 20-year lifetime, which will be used in these two projects, but also for other future projects. We already see indications that our acquisition of Balogh will increase our total offering to the rail market and that our complementary product assortment is well received by our common customers. Balogh has during the end of the quarter announced new projects for delivery during 2017. We have already started the work to integrate our sales and development resources within rail and we expect our joint offering to contribute positively already during the second half of 2017.

Our Traffic business has had a constant development during the quarter, while the margin continues to develop positively for our important product groups. The US market has been somewhat slower than planned and the Nordics and some European markets have continued to be slow. We will continue to increase our market efforts among others by participating in more fairs during 2017 and by new recruitment in sales. We have during the fourth quarter started launching our UHF products in the French market through the sales channels of Balogh and in the beginning of 2017 we will let our local sales forces sell our complete assortment, which means RFID and ANPR products. We see that we with three home markets (The Nordics, UK, France) are able to integrate and streamline our sales work and we will therefore create an EMEA sales organization during early 2017. We will also continue the work with developing more products in RFID and ANPR and several of these will be launched during 2017.

Our quarterly result of 5 MSEK (1,2) is clearly a good result to be satisfied with even if we still have work to be done.

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 parent company but also due to the acquired business. Net sales for the fourth quarter was 40,1 MSEK (22,8), an increase of 75,5%. The result (EBITDA) was 5,0 MSEK (1,2) which corresponds to a margin of 12,4% (5,4).

The costs during the quarter were 8,5 MSEK (4,2), The overall increase is related to a bigger structure coming from the acquisition of Balogh. No activation of direct development costs has been made. The remaining part of TagMaster AB's deferred tax asset related to tax deficits has been recognized which has resulted in a tax income at the amount of 1,1 MSEK. Included in tax on profit of the year is a tax revenue of 2,6 MSEK related to incurred R&D expenditures in Balogh SA.

Cash flow and financial position

As per December 31, 2016 available liquidity was 21,9 MSEK (12,5) of which the revolving credit is 12,0 MSEK (8,0). Solidity at the end of the period was 43,4% (71,6). Cash flow from operating activities was for the period 0,8 MSEK (5,2).

Accounts receivable were 22,2 MSEK (14,8) and trade payables were 10,6 MSEK (6,0). The inventories were 22,1 MSEK (14,4), all as per December 31, 2016. The increase of the inventories and other assets is explained by Balogh assets now being included and high sales during the quarter.

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 69 (39). The number of full time employees in CitySync has been decreased by 17 since the acquisition in 2015. Balogh has as per December 31, 34 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 with 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 that our focus on North America, together with our local partner, has been successful and that more customers see the advantages of our products and the services we are offering. During 2017 we will also launch more of our ANPR products in the fast growing US market. We have also started actively to integrate the sales work in our three home markets (The Nordics, UK, France) and we work actively to become a stronger player in the DACH countries. We continue actively to build our brand through participation in fairs in our focus markets. During the period, we participated in fairs in the US, in Canada and in Dubai and during 2017 we will exhibit in more than 10 fairs on our own and together with our partners also in further fairs.

CitySync has during the quarter started selling CitySync50, which is an ANPR camera partly addressing the same application areas as the Traffic products of TagMaster. We will continuously approach existing and new customers with our combined and stronger product offering where our joint competence in RFID and ANPR make us differentiate. Through this offering we will become a more attractive partner for the system integrators building the smart cities of the future. We will during the beginning of 2017 work intensively with integration of our RFID and ANPR offerings and the sales force will work with our complete assortment in their respective regions to implement synergies more naturally.

Rail Solutions

We have during the quarter continued product deliveries for our big rail project and for another smaller project. The project work (NRE work) was finalized successfully according to plan during the quarter which is a nice feather in the hat. We have during the period had a low level of serial deliveries to other Rail customers, but we expect that their portfolios of projects will increase some during 2017 which will give us new projects.

We expect also to get some more business in CBTC (Communication Based Train Control.) area and with the acquisition of Balogh our total product offering becomes much stronger, among other through the Balogh strength in Tramway solutions and this will give us access to a new dimension of growth opportunities for our Rail business. Balogh has during the quarter been able to announce new business and we see a bigger common business flow based on our broader offering and we have the ambition to become much more active towards our prioritized customers. We have during the period also started looking at how we could cooperate more with our big Chinese customers' joint ventures.

Our business model within Rail, where we have the opportunity to offer our Rail customers to take advantage of our know-how and application knowledge also in project format will be further strengthened when we enhance our development resources with our new Rail Competence Center in Toulouse (Balogh).

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:

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	Q4		Full year	
	2016	2015	2016	2015
Net sales	40 056	22 828	113 892	78 975
Cost of goods and services sold	-14 370	-8 430	-43 935	-32 582
Gross profit	25 686	14 398	69 957	46 393
Other income and changes in value	384	-738	544	47
Other external costs	-8 525	-4 167	-26 074	-18 231
Personnel cost	-11 045	-8 261	-35 897	-25 507
Other operating expenses ¹	-1 522	-	-4 723	-
Operating profit before depreciation (EBITDA)	4 978	1 232	3 807	2 702
Depreciation	-96	-103	-316	-287
Goodwill amortization	-952	-564	-2 554	-1 078
Operating profit after depreciation (EBIT)	3 930	565	937	1 337
Financial items	-159	698	-432	-50
Profit before tax	3 771	1 263	505	1 287
Tax	4 863	3 138	3 710	1 866
Net profit	8 634	4 401	4 215	3 153

¹ Other operating expenses are related to restructuring activities (CitySync 801 Ksek and Balogh 1 522 Ksek) and write down of project costs (CitySync) at the amount of 2 400 Ksek.

Key ratios

	Q4		Full year	
	2016	2015	2016	2015
Net sales growth, %	75,5	20,8	44,2	26,3
EBITDA-margin, %	12,4	5,4	3,3	3,4
Earnings per share before dilution, SEK	0,05	0,03	0,03	0,02
Earnings per share after dilution, SEK	0,05	0,03	0,03	0,02
Number of shares, average, thousand	167 824	167 824	167 824	144 712
Number of shares, end of the period, thousand	167 824	167 824	167 824	167 824

Consolidated balance sheet

KSEK	31 December	
	2016	2015
ASSETS		
Non-current assets	40 190	25 580
Inventories	22 099	14 372
Trade receivables	22 165	14 786
Other receivables	11 166	2 604
Cash and cash equivalents	9 903	4 492
TOTAL ASSETS	105 523	61 834
EQUITY AND LIABILITIES		
Equity	45 707	44 059
Non-current liabilities	20 996	1 476
Trade payables	10 594	6 042
Other current liabilities	28 226	10 257
TOTAL EQUITY AND LIABILITIES	105 523	61 834

Changes in consolidated equity

KSEK	31 December	
	2016	2015
Opening balance	44 059	13 493
New emission	-	28 390
Warrant payment	170	697
Transaction difference	-2 737	-1 674
Net result	4 215	3 153
TOTAL EQUITY	45 707	44 059

Consolidates cash flow analysis

KSEK	Q4		Full year	
	2016	2015	2016	2015
Cash flow from operating activities before change in working capital	5 578	1 686	10 390	3 109
Change in working capital	-3 568	-3 830	-9 615	2 069
Cash flow from operating activities	2 010	-2 144	775	5 178
Cash flow from investing activities	7	0	-4 034	-35 174
Cash flow from financing activities	0	697	8 670	28 619
Cash flow	2 017	-1 447	5 411	-1 377
Cash and cash equivalents at beginning of period	7 886	5 939	4 492	5 869
Cash and cash equivalents at end of period	9 903	4 492	9 903	4 492

Parent company income statement

KSEK	Q4		Full year	
	2016	2015	2016	2015
Net sales	22 582	15 121	79 837	66 468
Cost of goods and services sold	-7 633	-5 977	-31 363	-28 472
Gross profit	14 949	9 144	48 474	37 996
Other income and changes in value	431	-209	495	46
Other external cost	-4 991	-3 082	-17 380	-12 830
Personnel cost	-5 589	-4 724	-20 977	-17 499
Operating profit before depreciation (EBITDA)	4 800	1 129	10 612	7 713
Depreciation	-	-	-	-92
Operating profit after depreciation (EBIT)	4 800	1 129	10 612	7 621
Financial items	15	-261	-591	-311
Profit before tax	4 815	868	10 021	7 310
Appropriations	170	-	867	-
Tax	2 251	3 291	1 098	1 866
Net result	7 236	4 159	11 986	9 176

Parent company balance sheet

KSEK	31 December	
	2016	2015
ASSETS		
Non-current assets	5 291	4 194
Shares in subsidiaries	40 428	35 224
Long-term receivables from group companies	12 454	2 847
Inventories	9 819	8 405
Trade receivables	12 390	7 891
Other receivables	3 074	1 911
Current receivables from group companies	867	-
Cash and cash equivalents	2 153	2 990
TOTAL ASSETS	86 476	63 462
EQUITY AND LIABILITIES		
Equity	63 045	51 059
Non-current liabilities	10 593	1 043
Trade payables	5 039	4 829
Other current liabilities	7 799	6 531
TOTAL EQUITY AND LIABILITIES	86 476	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 2015.

Operational and financial risks

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 January 26 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 January 26, 2017

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Örjan Johansson

Jonas Svensson
CEO