

## QUARTERLY REPORT FOR TAGMASTER AB (publ.)

PERIOD 2012-04-01 – 2012-06-30

### Focus on three business areas

Net sales quarter two: 11.3 MSEK (10.5)

Result quarter two: -0.6 MSEK (-1.7)

Good order intake and strengthened order book

New strategic direction towards the market with three frontiers focusing three business areas

Great interest in the position as CEO of TagMaster

Integration of the Malaysian company now up to speed

Quality certification of the company in Sweden and Malaysia started (ISO 9001)

### New board and new direction

The AGM June 14 elected a totally new board consisting of Joe Grillo, Magnus Jonsson, Gert Sviberg and Rolf Norberg with the latter as chairman. The work to vitalize and direct the company towards the market and towards sales was started immediately. The key people who had handed in their termination letters and also had been forced to leave the company have recalled their terminations, which has also been accepted by the company.

As the former board also expressed at the AGM there was a financing need for about a million or so during the coming month or months. The truth was rather between 1.5 and 2 million per June 15. Intensive work started to manage the situation, if possible without additional financing. Through very good efforts from all personnel we have together managed to increase invoicing, make substantial savings and plan the payments in such a way that no additional financing has been necessary during the period. One part of this has been termination of substantial consultancy costs paid out during the last six months period. Another significant part is the decision to move to cheaper premises by September 1, 2012. Continued cost control and carefulness with cost continues.

### Invoicing and result

Order intake as well as invoicing was very good during the second part of June, which means that the second quarter in spite of a slow start ended up with a net invoicing of 11.3 MSEK (10.5). The result turned out to be -0.6 MSEK (-1.7) corresponding to 0,00 SEK (-0,02) per share (totally 107.731.708 and 65,494,766 average number of shares respectively).

The costs during the quarter were 7.2 MSEK (7.6). During the work with the second quarter report we recognized that some costs were underestimated in the first quarter report. The reduced salaries were actuality not reduced salaries, but a transition from fixed to variable salary. Simply said a bad

result for the company would lead to reduced salaries, a “normal” result would give unchanged salaries and a good result would mean increased salaries.

The actually paid salaries were lower, but there was already reason to expect at least a “normal” result so a reservation for some extra salary costs in December should have been done. Our judgment is that this extra salary including labor taxes will be more than 1 MSEK for the full year. In the report for the second quarter we have reserved 528,000:- of which half is related to the first quarter. There are also some other costs belonging to the first quarter which are now booked in the second quarter. The correct result for the first quarter should have been 300,000:- SEK lower than previously shown. All comparing figures are, however, based on what has been reported before.

The operating result (EBIT) for TagMaster AB was -0.6 MSEK (-1.7) and for TagMaster Group it was -0.6 MSEK (-1.7).

### **Liquidity**

The Group’s cash position has during a period been tough. The main explanation is the big loss made during 2011. To improve the situation a number of actions have been taken. A share holder loan of 2.9 MSEK has been converted to share capital. After discussions with a number of major suppliers the payment conditions have been improved. The continued work with cost savings, e g relocation to smaller facilities with lower rent in September, will improve liquidity over time. The good order intake during the end of the quarter has also improved the situation. The company has therefore had a significant positive cash flow.

Liquidity planning for the company is based on regular follow-up of costs and income 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 today, and based on the reduced cost structure in the company and the positive sales development we see now, makes the judgment that the company has sufficient liquidity for the coming 12 months.

Accounts receivable were 6,0 MSEK (8,3) and supplier debts were 3,9 MSEK (4,9). The goods for sale were 7,0 MSEK (8,3).

### **Sales**

As has been already mentioned above the sales during the last weeks of the second quarter has been good. TagMaster has also during the following period had good order intake and the latest business comes from an active market for access and parking (AVI) and also from a first big order which is the first phase of another bigger project within Transportation.

### **New strategic direction**

The market organization has together with other management and together with the board worked out a new strategic direction for the company during the period after June 15. This means the company will focus three business areas.

**Access and Parking (AVI):** This area is partly running by itself and is based on a number of distributors and integrators. The intention is to strengthen this area and make it even more self-generating through more systematic use of the application knowledge of the partners and at the

same time make distribution more efficient to reach out to more integrators without increasing the TagMaster resources.

**Transportation:** This is an investment segment with high potential since the TagMaster products have had a number of years to show their strengths. This is valid for the traditional 2,45 GHz products as well as for the new UHF product program. Great efforts will be made to acquire further customers in this segment. Since the projects are mostly multi-million projects and also unevenly distributed over time as well as they require significant planning and decision time for the customers, it is important to work with several signaling system and train suppliers in parallel for a more even sales and a more stable business. Significant growth should be expected in this segment with many opportunities for ROI as well as environmental improvements.

**Logistics:** This is a new segment, yet rather virgin and we consider it a potential to find new business opportunities. Logistics is a wide scope and could be anything from containers and gas bottles to trucks and goods terminals. Most things moving around could have a need to be identified; this is valid for people as well as for goods and goods carriers. TagMaster will in this area focus on customers with needs corresponding to the company strengths – reliable and robust solutions in the upper segment of RFID.

### **Three frontiers – new organization**

The TagMaster organization will follow the three business areas described above with the marketing and sales in the front with support from R&D, logistics and administration. There are already now persons responsible for the three market segments. There is also a product department responsible for R&D and production. Economy and administration is the third major function set and there is a QA responsibility established. The whole organization should from now on be sales driven with the other functions there to support in big and small.

### **Quality certification (ISO 9001)**

An increasing number of customer require or expect that the company has quality certification, especially within the Transportation segment. This is not new, but has been on the agenda and postponed for several years. There is now a project leader appointed and the target date for certification of TagMaster in Sweden and Malaysia is June 30 2013.

### **Integration of TagMaster SB (Malaysia)**

The integration of TagMaster SB is now fully activated. Decision has been taken regarding sales, technical cooperation and exchange of personnel for training in the different areas. Decisions are also taken regarding common administration platforms and quality certification (ISO 9001). A sales manager from TagMaster in Sweden will make a round trip in Asia to hand over customer responsibility to a colleague in Malaysia. Three technicians from Malaysia will visit TagMaster in Kista for training. This will be followed by Swedish technicians coming to Kuala Lumpur for training. The financial system Scala will be extended during the autumn to also include the company in Malaysia. The recently started quality certification project includes the Malaysian company from start.

### **New CEO to the TagMaster group**

The process to find a new CEO for the Group started immediately after the AGM and the interest for the challenge has been exceptionally high. Evaluation of candidates is ongoing and the target is to make a decision before the end of August to have a new CEO in place during the autumn. In the meantime the company is running the business according to the new direction and strategy with support from the interim CEO as well as from the board and its chairman.

### **Looking forward**

The company has its strength in the upper segment of RFID with 2.45 GHz and UHF high performance readers and tags. The proven reliability and competence in this area has already resulted in several major customer accounts with high demands within the transportation segment as well as within AVI (Automatic Vehicle Identification) and now lately also logistic applications. With an even stronger focus on these areas, which all represent growing markets and with focus on sales and acquisition of new customers in these areas there are good opportunities for growth. Markets like China and India are growing strongly, but the TagMaster market share is also small in the traditional markets in Europe and even more so in the US. The present establishments in US, China and Malaysia are valuable platforms for growth in these markets.

### **Coming reports**

October 25, 2012, quarterly report January – September 2012

February 14, 2013, quarterly report January – December 2012

### **Annual General Meeting**

April 18, 2013

### **Contact persons**

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<b>RESULT (SEK 000)</b>	<b>TagMaster Group Q1+Q2 2012</b>	<b>TagMaster Group Q1+Q2 2011</b>	<b>TagMaster Group Q2 2012</b>	<b>TagMaster Group Q2 2011</b>	<b>TagMaster Group 2011</b>
Net revenue	21 372	17 864	11 154	10 008	34 326
Activated work for the company	0	443	0	241	1 011
Other revenue	65	0	164	231	436
<b>TOTAL REVENUE</b>	<b>21 437</b>	<b>18 307</b>	<b>11 318</b>	<b>10 480</b>	<b>35 772</b>
<i>Costs</i>					
Purchased goods	-9 184	-8 575	-4 696	-4 466	-17 336
Other external costs	-6 500	-4 416	-3 784	-2 203	-11 137
Personnel costs	-5 069	-9 173	-2 764	-4 987	-15 864
Other costs	-65	-44	0	0	-402
Items affecting comparability	-94	0	-94	0	-1 269
<b>RESULT BEFORE DEPRECIATION</b>	<b>525</b>	<b>-3 902</b>	<b>-21</b>	<b>-1 176</b>	<b>-10 234</b>
Depreciation	-1 129	-795	-531	-447	-2 352
Writing off	0	0		0	-966
<b>RESULT AFTER DEPRECIATION</b>	<b>-605</b>	<b>-4 652</b>	<b>-552</b>	<b>-1 623</b>	<b>-13 553</b>
<i>Financial income and costs</i>					
Interest income	0	21	71	21	23
Interest and financial costs	-37	-186	0	-83	-365
<b>TOTAL FINANCIAL INCOME AND COSTS</b>	<b>-37</b>	<b>-165</b>	<b>71</b>	<b>-61</b>	<b>-342</b>
<b>PERIODIC RESULT</b>	<b>-641</b>	<b>-4 817</b>	<b>-481</b>	<b>-1 684</b>	<b>-13 894</b>
<b>RESULT PER SHARE</b>	<b>-0.01</b>	<b>-0.07</b>	<b>0.00</b>	<b>-0.02</b>	<b>-0.17</b>
NUMBER OF SHARES, average	97 603 006	72 483 041	99 846 275	65 494 766	80 570 465
NUMBER F SHARES, end of period	107 731 708	72 483 041	107 731 708	87 759 736	95 359 736

BALANCE SHEET (SEK 000)	TagMaster Group 2012-06-30	TagMaster Group 2011-06-30	TagMaster Group 2011-12-31	TagMaster Group 2010-12-31
<b>ASSETS</b>				
<i>Fixed assets</i>				
<i>Intangible assets</i>				
Goodwill	2 546	4 419	3 000	-
Balanced expenditure for development costs	2 150	2 844	2 776	2 171
<i>Tangible assets</i>				
Inventoru, tools and installations	222	353	351	455
<b>Total fixed assets</b>	<b>4 918</b>	<b>7 615</b>	<b>6 126</b>	<b>2 625</b>
<i>Current assets</i>				
<i>Stock</i>				
Goods for sale	7 000	8 323	8 664	6 222
<i>Short term claims</i>				
Accounts receivable	6 017	8 330	3 926	10 032
Other short term claims	1 016	710	1 028	1 355
Cuttent tax claims	613	830	418	37
Prepaid costs and workin progress	1 081	1 595	2 095	1 158
Cash and Bank	1 562	644	719	575
<b>Total current assets</b>	<b>17 289</b>	<b>20 434</b>	<b>16 851</b>	<b>19 378</b>
<b>TOTAL ASSETS</b>	<b>22 207</b>	<b>28 049</b>	<b>22 977</b>	<b>22 004</b>
<b>OWN CAPITAL AND DEBT</b>	<b>2012-06-30</b>	<b>2011-06-30</b>	<b>2011-12-31</b>	<b>2010-12-31</b>
<i>Own capital</i>				
Share capital (107 731 708 resp. 58 506 491 aktier)	10 773	8 776	9 536	5 851
Bound reserves	44 499	42 938	42 938	42 938
Not registered new emission		2 432		
Balanced loss	-46 354	-34 132	-32 460	-40 271
Result from the year	-641	-4 815	-13 894	1 201
<b>Total own capital</b>	<b>8 277</b>	<b>15 199</b>	<b>6 120</b>	<b>9 719</b>
Provisions	31	31	31	31
<b>Total provisions</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>
Long term debts	717	1 000	848	-
<b>Total long term debts</b>	<b>717</b>	<b>1 000</b>	<b>848</b>	<b>-</b>
<i>Short term debts</i>				
Supplier debts	3 902	4 892	5 502	6 710
Short term loans	13	0	2 886	2 000
Credit vacility	3 242	2 707	-	434
Tax debts	-	-	-	-
Other short term debts	75	631	2 288	310
Accrued costs and prepaid income	5 949	3 588	5 302	2 800
<b>Total short term debts</b>	<b>13 180</b>	<b>11 819</b>	<b>15 978</b>	<b>12 254</b>
<b>TOTAL OWN CAPITAL AND DEBTS</b>	<b>22 207</b>	<b>28 049</b>	<b>22 977</b>	<b>22 004</b>
<b>SECURITIES AND CONTINGENT LIABILITIES</b>				
LIABILITIES	7 512	7 530	7 520	7 522
Pledged assets	-	-	-	

<b>CASH FLOW ANALYSIS (SEK 000)</b>	<b>TagMaster Group Q2 2012</b>	<b>TagMaster Group Q2 2011</b>	<b>TagMaster Group 2011</b>	<b>TagMaster Group 2010</b>
<b>FROM ORDINARY BUSINESS</b>				
Result before financials	-552	-4 650	-13 553	1 386
Depreciation	531	795	3 318	1 092
Other non cash influencing costs	-	-	-99	-272
Received interest	71	21	23	4
Paaid interest and finance costs	0	-186	-365	-190
Increase/decrease stock	607	-2 101	-2 442	1 696
Increase/decrease accounts receivable	1 203	1 701	6 106	616
Increase/decrease other short term receivables	409	-586	-993	547
Increase/decrease supplier debts	-633	-1 818	-1 208	-519
Increase/decrease other short term debts	-274	1 110	4 480	-2 839
<b>Cash flow from ordinary business</b>	<b>1 362</b>	<b>-5 715</b>	<b>-4 731</b>	<b>1 524</b>
<b>INVESTMENTS ACTIVITIES</b>				
Investment in goodwill	-	-	-2 100	-
Investment in intangible assets	-	-1 206	-2 130	-2 113
Investment in tangible assets	-13	-46	-46	-61
<b>Cash flow from investment activities</b>	<b>-13</b>	<b>-1 253</b>	<b>-4 276</b>	<b>-2 174</b>
<b>FINANCING ACTIVITY</b>				
New emission	2 799	-	7 863	413
New loans	0	1 000	3 873	2 000
Amortization of loans	-2 929	-	-2 152	-
<b>Cash flow from finance</b>	<b>-130</b>	<b>1 000</b>	<b>9 584</b>	<b>2 413</b>
<b>PERIODIC CASH FLOW</b>	<b>1 219</b>	<b>-5 967</b>	<b>578</b>	<b>1 764</b>
<b>Cash in the beginning of the period</b>	<b>-2 371</b>	<b>141</b>	<b>141</b>	<b>-1 623</b>
<b>Cash in the end of the period</b>	<b>-1 152</b>	<b>-5 826</b>	<b>719</b>	<b>141</b>
<b>Cash including not used credits</b>	<b>2 848</b>	<b>-2 826</b>	<b>4 719</b>	<b>3 141</b>

**CHANGE IN NEW CAPITAL (SEK 000)**

<b>TagMaster Group</b>	<b>Aktiekapital</b>	<b>Bound reserves</b>	<b>Free reserves</b>	<b>Total own capital</b>
<b>Own capital Dec 31, 2010</b>	<b>5 851</b>	<b>42 938</b>	<b>-39 070</b>	<b>9 719</b>
Period result			-13 894	-13 894
Prioritized emission	2 925		4 938	7 863
Nyemission	760		1 672	2 432
<b>Own capital Dec 31, 2011</b>	<b>9 536</b>	<b>42 938</b>	<b>-46 355</b>	<b>6 120</b>
Period result			-641	-641
Currency difference considering foreign affairs		-1	1	0
New emission	1 237	1 562		2 799
<b>Own capital June 30, 2012</b>	<b>10 773</b>	<b>44 449</b>	<b>-46 995</b>	<b>8 277</b>



**Accounting principles**

Applied accounting and valuation principles are according to "Årsredovisningslagens" rules and good accounting habits. Receivables are valued according to what is expected to be paid. Claims and debts in foreign currency are valued according to the exchange rate on the balance day. The stock has been valued at the lowest value principle, i.e. the lowest of purchase cost and the real value. Periodization of revenues and costs has been done according to good accounting habits. Activation of development costs has been done according to BFN R 1. Any other issue is referred to the annual report 2011.

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 August 16 at 09.00 CET.

The board and the CEO assure that this report is giving a correct overview of the Company and of the Group, its business, position and result as well as it is describing major risks and uncertainties, which the Company and the Companies within the Group are seeing ahead.

Kista August 15 2012



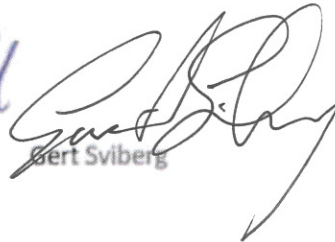
Rolf Norberg  
Chairman



Magnus Jonsson



Joe Grillo



Bert Sviberg



Sven Wramner  
Interim CEO