

QUARTERLY REPORT FOR TAGMASTER AB (publ.) 556487-4534

PERIOD 2012-07-01 – 2012-09-30

Continued focus on our customers!

- Net sales quarter two: 10.1 MSEK (7.0)
- Result quarter three: +0.2 MSEK (-3.1)
- Result quarter three after goodwill depreciation for TagMaster SB: -3.2 MSEK
- Accumulated result: +0.7 MSEK (-7.0)
- Accumulated result after goodwill depreciation for TagMaster SB: -3.3 MSEK
- Good order intake continues in spite of summer holidays
- Jonas Svensson new CEO in place
- Big interest for TagMaster at InnoTrans in Berlin
- Quality work continues
- New organization and new direction strengthens customer focus
- Depreciation of goodwill for TagMaster SB and decision to review the future of the company during the fourth quarter

New marketing and sales oriented CEO with growth experience in place since October 1

Jonas Svensson started to get acquainted with the company already during September and started officially on October 1. Jonas has previous experience from both bigger and smaller companies internationally and he has himself built a company from 0 to 200 MSEK including a stock market introduction. Jonas thereby has experience from big as well as small organizations and of how you go from the small to the big. These experiences will become useful for the continued development of TagMaster.

The employment of Jonas is the result of a very wide search process where we had more than 200 interested candidates, many of them with very qualified background and experience. Jonas finally became the board's choice of person best fitted to take care of and develop TagMaster.

Invoicing and result

Order intake as well as invoicing has reached an acceptable level in spite of the summer holidays. In spite of costs for relocation and CEO recruitment costs the result is now positive for the quarter. The second quarter ended up with a net invoicing of 10.1 MSEK (7.0), of which 9.5 MSEK from the mother company. The result turned out to be +0.2 MSEK (-3.1), of which +0.5 MSEK from the mother company corresponding to +0.01 SEK (-0.04) per share (totally 107,731,708 and 101,003,884 average number of shares respectively).

For the three first quarters the net invoicing is totally 31.5 MSEK (24.9), of which 29.6 MSEK from the mother company. The operating result for the three first quarters 0.7 MSEK (-7.0), of which +1.1 MSEK from the mother company.

The costs during the quarter were 5.7 MSEK (7.0).

Liquidity

Per September 30, 2012 the Group had 2.0 MSEK (1.5). The revolving credit is 4.0 MSEK (4.0) and locked funds is 0.5 MSEK (0.5). The company has during the first nine months had an operational cash flow of -4.4 MSEK (-8.2). The negative cash flow is explained by higher cost for the first six months and a gradual payback of supplier credits during the third quarter.

The Group's cash position has improved slightly during the period from a very tough position at the end of quarter two. The main reasons for the improvement are an acceptable invoicing and lower costs. The relocation to more cost efficient premises Mid-September has not yet influenced the costs, which, however, the relocation costs have. Thanks to understanding and cooperative suppliers we have managed the tough cash situation during the summer.

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 7.7 MSEK (6.0) and supplier debts were 4.7 MSEK (3.1). The goods for sale were 6.6 MSEK (8.0).

Sales

Our customers have shown continued confidence during the period and orders have been received in all business areas. We have also been able to deliver parts of bigger orders from the second quarter within Transportation. Our own increased customer and sales focus has also contributed to increased market activity in spite of the summer period being a bit slow or even stopping in some areas. The orders in hand are therefore only marginally less than at the end of quarter two.

New organization in place

After our strategy work during July and August, a new organization has been established and the work has started in the different areas and in the agreed direction.

Access and Parking (AVI): The efforts to search for, identify and engage distributors in the most important markets have started and is expected to result in establishment in key markets during the autumn. In this way TagMaster should be able to reach more integrators and become part of more projects with less own effort after an introductory establishment phase.

Transportation: The big event during the quarter was the exhibition, InnoTrans, which is held in Berlin every second year. TagMaster participated as part of the SWERIG stand and attracted much interest. All the big actors and many of the smaller participate in this enormous exhibition. The customers we already know as well as many new potential customers found us there. It is very obvious that the companies already working with TagMaster appreciate the quality, functionality and competence the company offers. There are many projects around the globe, both in mass transit (local trains) and in long distance (national) rail to track the rolling stock and its valuable load and to enable more efficient use of the infrastructure with shorter distance between trains on the tracks. Both areas where TagMaster solutions, both within UHF and within 2,45 MHz fit well.

Logistics: A first order has been received during the quarter to TagMaster SB in Malaysia for University of Sabah in Borneo.

Quality certification (ISO 9001)

A gap analysis has been done with the help of external expertise. The result will be used in the plan that is now under establishment to reach the target of being certified by June 30, 2013. A certain amount of external support will be required. It is, however, of great importance that the major part of the work with clarifying processes and document and define our working methods comes from inside, which means most of the organization will be involved in the work.

TagMaster SB

Since TagMaster AB acquired Free2Move Asia and thereby established TagMaster SB with its business in Malaysia, the growth expectations have changed substantially, partly due to not realized sales volumes (much lower volume and negative result) and partly due to delays regarding commercialization of new products and projects. These changed market conditions have made it necessary to reevaluate the goodwill from the acquisition of Free2Move Asia, and ended up in write down of the goodwill with 3 MSEK. The remaining value of immaterial assets from the acquisition of Free2Move Asia is thereby 0 MSEK. Reconsideration of the future of TagMaster SB has been started and should be finalized during Q4, 2012.

Looking forward

The company has with its new direction and focus very good growth opportunities within Access/Parking as well as in Transportation. Logistics will continue to be an area to create and take care of new opportunities with TagMaster's established products and solutions. 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 and which resources the company can create and provide.

Coming reports

February 14, 2013, Year-end report 2012

Annual General Meeting

April 18, 2013

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RESULT (SEK 000)	TagMaster Group Jan-Sep 2012	TagMaster Group Jan-Sep 2011	TagMaster Group Jul-Sep 2012	TagMaster Group Jul-Sep 2011	TagMaster Group 2011
Net revenue	31 492	24 861	10 120	6 997	34 326
Activated work for the company	0	692	0	249	1 011
Other revenue	65	89	0	133	436
TOTAL REVENUE	31 557	25 642	10 120	7 379	35 772
<i>Costs</i>					
Purchased goods	-13 469	-12 631	-4 285	-4 057	-17 336
Other external costs	-9 346	-7 930	-2 846	-3 559	-11 137
Personnel costs	-7 525	-12 052	-2 456	-2 879	-15 864
Other costs	-421	0	-356	0	-402
Items affecting comparability	-94	0	0	0	-1 269
RESULT BEFORE DEPRECIATION	702	-6 971	177	-3 116	-10 234
Depreciation	-993	-1 354	-352	-559	-2 352
Writing off	-3 009	0	-3 009	0	-966
RESULT AFTER DEPRECIATION	-3 300	-8 325	-3 184	-3 675	-13 553
<i>Financial income and costs</i>					
Interest income	0	22	0	1	23
Interest and financial costs	-101	-237	-64	-51	-365
TOTAL FINANCIAL INCOME AND COSTS	-101	-216	-64	-50	-342
PERIODIC RESULT	-3 400	-8 540	-3 248	-3 725	-13 894
RESULT PER SHARE	-0,03	-0,11	-0,03	-0,04	-0,17
NUMBER OF SHARES, average	101 003 884	75 523 225	107 731 708	95 379 736	80 570 465
NUMBER F SHARES, end of period	107 731 708	95 359 736	107 731 708	95 379 736	95 359 736

BALANCE SHEET (SEK 000)	TagMaster Group	TagMaster Group	TagMaster Group	TagMaster Group
	2012-09-30	2011-09-30	2011-12-31	2010-12-31
ASSETS				
<i>Fixed assets</i>				
<i>Intangible assets</i>				
Goodwill	0	4 192	3 000	-
Balanced expenditure for development costs	1 862	2 935	2 776	2 171
<i>Tangible assets</i>				
Inventory, tools and installations	219	405	351	455
Total fixed assets	2 081	7 532	6 126	2 625
<i>Current assets</i>				
<i>Stock</i>				
Goods for sale	6 589	8 024	8 664	6 222
<i>Short term claims</i>				
Accounts receivable	7 746	5 972	3 926	10 032
Other short term claims	849	912	1 028	1 355
Cuttent tax claims	730	977	418	37
Prepaid costs and workin progress	736	1 198	2 095	1 158
Cash and Bank	1 203	662	719	575
Total current assets	17 853	17 744	16 851	19 378
TOTAL ASSETS	19 933	25 276	22 977	22 004
OWN CAPITAL AND DEBT	2012-09-30	2011-09-30	2011-12-31	2010-12-31
<i>Own capital</i>				
Share capital (107 731 708 shares)	10 773	9 536	9 536	5 851
Bound reserves	44 499	42 947	42 938	42 938
Not registered new emission		0		
Balanced loss	-46 354	-32 460	-32 460	-40 271
Result from the year	-3 400	-8 540	-13 894	1 201
Total own capital	5 518	11 482	6 120	9 719
Provisions	31	31	31	31
Total provisions	31	31	31	31
Long term debts	652	913	848	-
Total long term debts	652	913	848	-
<i>Short term debts</i>				
Supplier debts	4 753	3 056	5 502	6 710
Short term loans	13	2 535	2 886	2 000
Credit vacility	3 069	3 139	-	434
Tax debts	-	-	-	-
Other short term debts	30	431	2 288	310
Accrued costs and prepaid income	6 010	3 687	5 302	2 800
Total short term debts	13 875	12 849	15 978	12 254
TOTAL OWN CAPITAL AND DEBTS	20 076	25 276	22 977	22 004
SECURITIES AND CONTINGENT LIABILITIES				
LIABILITIES		0	7 520	7 522
Pledged assets		Inga	Inga	Inga

CASH FLOW ANALYSIS (SEK 000)	TagMaster Group Q3 2012	TagMaster Group Q3 2011	TagMaster Group 2011	TagMaster Group 2010
FROM ORDINARY BUSINESS				
Result before financials	-2 696	-3 675	-13 553	1 386
Depreciation	2 873	559	3 318	1 092
Other non cash influencing costs	-	-	-99	-272
Received interest	0	1	23	4
Paaid interest and finance costs	-64	-51	-365	-190
Increase/decrease stock	411	299	-2 442	1 696
Increase/decrease accounts receivable	-1 729	2 358	6 106	616
Increase/decrease other short term receivables	394	2 107	-993	547
Increase/decrease supplier debts	851	-1 836	-1 208	-519
Increase/decrease other short term debts	-157	2 866	4 480	-2 839
Cash flow from ordinary business	-116	2 628	-4 731	1 524
INVESTMENTS ACTIVITIES				
Investment in goodwill	0	-1 564	-2 100	0
Investment in intangible assets	0	1 797	-2 130	-2 113
Investment in tangible assets	0	-2 040	-46	-61
Cash flow from investment activities	0	-1 807	-4 276	-2 174
FINANCING ACTIVITY				
New emission	0	7 863	7 863	413
New loans	0	1 510	3 873	2 000
Amortization of loans		-2 110	-2 152	0
Cash flow from finance	0	7 263	9 584	2 413
PERIODIC CASH FLOW	-115	8 085	578	1 764
Cash in the beginning of the period	-1 680	141	141	-1 623
Cash in the end of the period	-1 795	719	719	141
Cash including not used credits	2 205	3 719	4 719	3 141

CHANGE IN OWN CAPITAL (SEK 000)

TagMaster Group	Share capital	Bound reserves	Free reserves	Total own capital
Own capital 2010-12-31	5 851	42 938	-39 070	9 719
Period result			-13 894	-13 894
Prioritized emission	2 925		4 938	7 863
New emission	760		1 672	2 432
Own capital 2011-12-31	9 536	42 938	-46 355	6 120
Period result			-3 400	-2 946
Currency difference considering foreign affairs				0
New emission	1 237	1 561		2 798
Own capital 2012-09-30	10 773	44 499	-49 755	5 973

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 October 25 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.

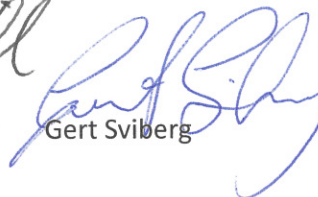
Kista October 24, 2012



Rolf Norberg
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Gert Sviberg

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