TagMaster

Interim report January to September 2017

Continued profitable growth

Third quarter

- Net sales increased during the third quarter by 57,2% to 45,0 MSEK (28,6)
- Result before depreciation (EBITDA) increased during the third quarter by 135,3% to 4,0 MSEK (1,7), corresponding to a margin of 9,0% (6,0)
- Net result after tax was 2,3 MSEK (-0,1)
- Result per share was 0,01 (-0,00)
- Cash flow from the business for the period was 4,3 MSEK (1,0)

January - September

- Net sales increased during the period by 86,2% to 137,5 MSEK (73,8)
- Result before depreciation (EBITDA) was 14,1 MSEK (-1,2), corresponding to a margin of 10,2% (-1,6)
- Net result after tax was 9,5 MSEK (-4,4)
- Result per share was 0,05 (-0,03)
- Cash flow from the business for the period was 15,8 MSEK (-1,2)

Significant events after the end of the reporting period

- TagMaster intent to acquire Magsys in France. Magsys has a yearly turnover of approx. 25 MSEK with a positive EBITDA and the transaction is expected to be closed before year end.

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 third quarter has been influenced by the vacation months, but with acceptable volumes for TagMaster, Balogh and CitySync. CA Traffic has been influenced by the change work started after the acquisition.

During the quarter the turnaround work with Balogh has continued and we start to see improvement in both volumes and result. We estimate the work to be done in the beginning of 2018, which is a bit later than has been communicated earlier. The change work is intended to lower both personnel costs and other costs, to reduce the number of products and to simplify the business processes.

CitySync has won and started several parking projects with several large international customers and deliveries have continued during the quarter. We see a strong trend among other in Scandinavia that ANPR systems become a key component in future parking systems, “free-flow parking”, where barriers and ticket machines disappear.

CA Traffic has during the quarter started a change work to make the business more scalable and more profitable also for lower sales volumes. We will outsource production and assembly and we will simplify the product program and also invest more in the new and profitable products, which also fit better in the export markets. We have moved the ANPR development to the same facilities as CitySync, which will give better scalability in our future development. We estimate the change work to be finalized during the second quarter 2018.

Our rail business has been somewhat lower during the quarter and we also see a somewhat lower level for the quarters to come. We will during the fourth quarter start small deliveries of our new RailTag, with 20-year lifetime. 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 period had a somewhat lower flow of new projects for delivery during 2017 and 2018, but we expect volumes to increase in the beginning of 2018 mainly driven by our new simplified and upgraded product assortment.

Our Traffic business has had an acceptable volume development during the quarter with a continued positive margin development. The US market has continued to do well and the Indian market has been strong in products for toll road solutions. We continue to develop more products in both RFID and in ANPR and several of these will be launched already during the first half of 2018.

Our quarterly result of 4,0 MSEK (1,7) and our cash flow from the running business of 4,3 (1,0) is an acceptable result to be satisfied with, while we still have work to do and it is always worth mentioning that the variation between quarters could be significant since especially our rail business is volatile to its character.

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 due to acquired businesses (Balogh and CA Traffic). Net sales for the third quarter was 45,0 MSEK (28,6), an increase of 57,2%. The result (EBITDA) was 4,0 MSEK (1,7), an increase by 135,3%, which corresponds to a margin of 9,0% (6,0).

The costs during the quarter were 23,6 MSEK (15,8), 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. However, the CA Traffic acquisition balance includes capitalized R&D that is amortized. Included in tax on profit of the year is a tax revenue of 0,6 MSEK based on R&D expenditures in Balogh SA.

Cash flow and financial position

As per September 30, 2017 available liquidity was 39,3 MSEK (15,9) of which the revolving credit is 12,0 MSEK (8,0). Solidity at the end of the period was 53,1% (40,9). Cash flow from the running business was for the period 4,3 MSEK (1,0).

Accounts receivable were 28,3 MSEK (17,2) and supplier debts were 15,1 MSEK (8,8). The inventories were 37,1 MSEK (20,8), all as per September 30, 2016. The increase of the inventories and other assets is explained by CA Traffic assets now being included. The ongoing outsourcing projects in Balogh and CA Traffic and the termination of products process in which the costumers are offered a last-time-by opportunity have created temporary high inventory levels. Our assessment is that the inventories will be at normalized lower levels during the second half of 2018.

Employees, organization and personnel

The number of employees in the TagMaster Group was at the end of the period 91 (71). The number of full time employees in Balogh has been decreased by 8 since the acquisition in august 2016 and amounts to 30 employees at the end of September. With the acquisition of CA Traffic, the number of employees has increased by 33 persons. The number of employees is expected to decrease due to the planned changes within CA Traffic.

Business during the quarter

Traffic Solutions (Access/Parking)

During the period we have started the launch of our ANPR products in the fast-growing US market. The positive development we have seen in India for RFID readers in toll road projects has continued and we judge this market to grow further during quarters to come. We continue to recruit more sales resources in all our home markets (The Nordics, UK and France). We are still actively building our brand through participation in several fairs in our focus markets. During the period we participated in fairs in the US and in France and during 2017 we will participate in own regime at more than 10 fairs and together with our partners in further fairs.

We have during the period started several exciting ANPR projects in Scandinavia and we estimate the UK market to increase during 2018. Our new acquisition CA Traffic, will start to sell their products in the Nordic markets via the TagMaster network and in the French market we intend to find local partners. The ANPR assortments of City Sync and CA Traffic will be integrated and the development departments have already moved to the same address to achieve fast technical and commercial synergies.

We will continuously address new and existing customers with our combined and stronger product offering where our total competence in RFID, ANPR and traffic monitoring products will differentiate us. With this offering we will become a more attractive partner for the system integrators building the smart cities of the future. We will during the year work intensively with integration of our RFID and ANPR offerings and the sales force will work with our complete offering in their respective regions to implement synergies in a natural way.

Rail Solutions

We have during the period had a lower level of serial deliveries to Rail customers, but we expect that their portfolios of projects will increase some during 2018 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 had a somewhat lower inflow of projects but we expect this to increase during 2018. The work to simplify and improve Balogh’s supply chain is in full force, but it will take some more time than previously announced, and it should be ready in the beginning of 2018.

Our business model within Rail, where we could 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. 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 that our acquisitions require change work of different size and which could also take longer than expected. To meet the demand and to aspire for the position as market leading supplier of advanced RFID, Radar & ANPR solutions, TagMaster/CitySync/Balogh/CA Traffic 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 will therefore continue 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. With a profitable basic business and with a positive cash flow we may also be able to finance some acquisitions by ourselves in the future.

Reporting dates

Tagmaster will report on the following dates during the 2017 and 2018 fiscal year:

Year-end report: January 26

This as well as previous financial reports could be found at the company homepage www.tagmaster.com

For further information, please contact

Jonas Svensson, CEO, +46 8-6321950, jonas.svensson@tagmaster.com

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, 2017.

Consolidated income statement

KSEK	Q3 2017	Q3 2016	Q1 - Q3 2017	Q1 - Q3 2016	Full year 2016
Net revenue	44 962	28 607	137 519	73 836	113 892
Other operating income	933	218	1 034	160	544
Total operating income	**45 895**	**28 825**	**138 553**	**73 996**	**114 436**
Goods for resale	-18 213	-11 081	-55 458	-29 565	-43 936
Other external costs	-9 133	-7 719	-28 275	-17 549	-26 074
Personnel costs	-13 766	-8 115	-39 284	-24 852	-35 897
Other operating expenses[1]	-742	-203	-1 478	-3 201	-4 723
Operating profit before depreciation and amortization (EBITDA)	**4 041**	**1 707**	**14 058**	**-1 171**	**3 807**
Depreciation	-124	-77	-402	-220	-316
Goodwill amortization	-1 733	-575	-4 077	-1 602	-2 554
Operating profit after depreciation and amortization (EBIT)	**2 184**	**1 055**	**9 579**	**-2 993**	**937**
Financial items	-245	-49	-459	-273	-432
Profit after financial items	**1 939**	**1 006**	**9 120**	**-3 266**	**505**
Tax	367	-1 153	327	-1 153	3 710
Net profit	**2 306**	**-147**	**9 447**	**-4 419**	**4 215**

[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. For the 2017 nine-month period, the item relates to exchange-rate losses on operating receivables and liabilities.

Key ratios

	Q3 2017	Q3 2016	Q1 - Q3 2017	Q1 - Q3 2016	Full year 2016
Net sales growth, %	57,2	56,8	86,2	31,5	44,2
EBITDA-margin, %	9,0	6,0	10,2	-1,6	3,3
Equity ratio, %	53,1	40,9			43,3
Earnings per share before dilution, SEK	0,01	0,00	0,05	-0,03	0,03
Earnings per share after dilution, SEK	0,01	0,00	0,05	-0,03	0,03
Number of shares, average, thousand	201 389	167 824	182 578	167 824	167 824
Number of shares, end of the period, thousand	201 389	167 824	201 389	167 824	167 824
Market price on closing day, SEK	2,02	1,08			1,13
Number of employees at end of period	92	71			69

Consolidated balance sheet

KSEK	30 September 2017	30 September 2016	2016-12-31
ASSETS			
Intangible assets[1]	46 867	28 093	32 325
Tangible assets	813	1 410	948
Financial assets	7 632	3 041	6 917
Inventories	37 059	20 810	22 099
Trade receivables	28 325	17 173	22 165
Other receivables	17 278	13 301	11 166
Cash and cash equivalents	27 272	7 886	9 903
TOTAL ASSETS	**165 246**	**91 714**	**105 523**
EQUITY AND LIABILITIES			
Equity	87 697	37 500	45 707
Provisions	7 623	1 267	2 317
Long term liabilities to credit institutions	8 067	8 596	8 567
Other long-term liabilities	10 457	1 531	11 910
Trade payables	15 086	8 821	10 594
Other current liabilities	36 316	33 999	26 428
TOTAL EQUTIY AND LIABILITIES	**165 246**	**91 714**	**105 523**

[1]Including goodwill from the preliminary acquisition analysis prepared in relation to the acquisition of CA Traffic Ltd

Changes in consolidated equity

KSEK	30 September 2017	30 September 2016	2016-12-31
Opening balance	**45 707**	**44 059**	**44 059**
New share issue	34 589	-	-
Warrant payment	-20	170	170
Transaction difference	-2 026	-2 310	-2 737
Net result	9 447	-4 419	4 215
TOTAL EQUITY	**87 697**	**37 500**	**45 707**

Consolidates cash flow analysis

KSEK	Q3 2017	Q3 2016	Q1 - Q3 2017	Q1 - Q3 2016	Full year 2016
Cash flow from operating activities before change in working capital	7 433	5 242	18 345	4 812	10 390
Change in working capital	-3 173	-4 278	-2 519	-6 047	-9 487
Cash flow from operating activities	**4 260**	**964**	**15 826**	**-1 235**	**903**
Cash flow from investing activities	-3 312	-4 041	-31 790	-4 041	-4 034
Cash flow from financing activities	-625	-500	33 410	8 670	8 670
Cash flow	**323**	**-3 577**	**17 446**	**3 394**	**5 539**
Cash and cash equivalents at beginning of period	26 989	11 463	9 903	4 492	4 492
Effect of exchange differences	-40	-	-77	-	-128
Cash and cash equivalents at end of period	**27 272**	**7 886**	**27 272**	**7 886**	**9 903**

Parent company income statement

KSEK	Q3 2017	Q3 2016	Q1 - Q3 2017	Q1 - Q3 2016	Full year 2016
Net revenue	17 862	22 199	67 022	57 255	79 837
Other operating income	214	349	315	64	495
Total operating income	**18 076**	**22 548**	**67 337**	**57 319**	**80 332**
Goods for resale	-7 211	-8 661	-25 245	-23 730	-31 363
Other external costs	-3 248	-5 306	-14 426	-12 389	-17 382
Personnel costs	-4 804	-4 776	-16 498	-15 388	-20 977
Other operating expenses	-534	-	-1 186	-	-
Operating profit (EBITDA)	**2 279**	**3 805**	**9 982**	**5 812**	**10 610**
Financial items	-138	-128	-455	-606	-591
Profit after financial items	**2 141**	**3 677**	**9 527**	**5 206**	**10 019**
Appropriations	0	-	0	697	867
Tax	-486	-1 153	-1 468	-1 153	1 098
Net profit	**1 655**	**2 524**	**8 059**	**4 750**	**11 984**

Parent company balance sheet

KSEK	30 September 2017	2016	2016-12-31
ASSETS			
Shares in subsidiaries	72 798	40 428	40 428
Long-term receivables from group companies	8 957	10 185	12 454
Deferred tax asset	4 483	3 041	5 291
Inventories	11 727	8 648	9 819
Trade receivables	11 048	8 423	12 390
Current receivables from group companies	1 871	697	867
Other receivables	4 000	2 645	3 074
Cash and cash equivalents	21 669	4 182	2 153
TOTAL ASSETS	**136 553**	**78 249**	**86 476**
EQUTIY AND LIABILITIES			
Equity	105 694	55 809	63 043
Provisions	2 093	1 043	2 093
Liabilities to credit institutions	8 000	8 500	8 500
Trade payables	7 914	4 708	5 040
Other current liabilities	12 852	8 189	7 800
TOTAL EQUITY AND LIABILITIES	**136 553**	**78 249**	**86 476**

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 2016.

Operational and financial risks

The operational and financial risks of TagMaster as well as uncertainties are described in the annual report 2016 under the section Risks and risk management.

This report has not been reviewed by the company auditor.

The information is published on October 27 2017 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 27, 2017

Rolf Norberg Chairman	Joe Grillo	Gert Sviberg
Magnus Jonsson	Örjan Johansson	Jonas Svensson CEO