



QUARTERLY REPORT FOR TAGMASTER AB January-March 2016

A robust quarter with extensive development work

First quarter

- Net sales increased during the first quarter by 28,1% to 24,6 MSEK (19,2)
- Result before depreciation (EBITDA) was 2,0 MSEK (2,6), corresponding to a margin of 8,2% (13,74)
- Net result after tax was 0,9 MSEK (2,0)
- Result per share was 0,01 (0,02)
- Cash flow from the business for the period was -0,2 MSEK (3,4)
- CitySync Ltd makes a small operating profit for the quarter

After end of period

- TagMaster announced April 27 that its intention to acquire the French company Balogh, one of the pioneers within the RFID technology working within rail solutions and access/security solutions.

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 providing innovative mobility solutions, sold under the brands TagMaster & CitySync, 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, 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. For more information about TagMaster, please visit www.tagmaster.com

Comments by the CEO

Our sales during first quarter has been stable with much focus on product development, both general product development and customer specific product development.

We have come a long way in the integration and transformation work with CtySync, which after many years with losses is going through a major change with a total change in its strategy and with a substantially more efficient organization. As a consequence of the strategy change, turnover in CtySync will drop some during the year before going into a new growth phase. It is a result of that we consciously have left a number of larger non profitable projects and instead are focusing on building a scalable business model supported by several product launches during 2016. We have also chosen to focus our marketing resources on fewer markets coinciding with the markets of TagMaster.

Our Rail business has been characterized by intensive NRE (Nonrecurring Engineering) work connected to the big rail project announced during the end of last year. We work on a new rail reader where prototypes should be available already early second quarter, which is record time for a project this complexity. We also work on a new rail tag with 20 year lifetime to be used in the same project, but also in other future projects. We still judge there will be further new projects of medium size coming in during 2016 and with serial deliveries the following years.

Our Traffic business has continued to develop well in several of our markets with increasing margins. The US market has continued to develop well while the markets in EMEA and the Nordics have been unchanged. We continue to increase the market efforts during 2016 supported by our recently launched UHF products which we judge will have a positive impact on sales and margins during years to come. We continue the work to develop more products in our UHF family and we will launch more products by the end of 2016.

In CtySync we work on making new products in high speed to enable us to address a bigger application market. We have during the quarter started sales of CtySync 30, an IP based ANPR camera for the parking and the access markets, and which should be seen as an entry product. We launched during the quarter CtySync 50, an ANPR camera with all functions integrated in the camera, and which could work all standalone which makes it suitable for "free-flow" parking and for "buslane enforcement". CtySync 50 is expected to start selling during the second quarter and we will also launch CtySync 100, an ANPR camera for traffic solutions and toll roads during the present quarter. In parallel to all these hardware launches we refine our software and we offer a totally new web based user interface with the purpose to shorten installation time.

Our quarterly result of 2,0 MSEK (2,6) depends on somewhat higher costs in TagMaster as well as in CtySync due to the product development described above, explaining the lower comparable result.

Jonas Svensson
CEO

Comments to the result and balance sheet

Turnover and result

During the quarter sales increased mostly depending on the acquired business. Net sales for the first quarter was 24,6 MSEK (19,2), an increase of 28,1%. The result (EBITDA) was 2,0 MSEK (2,6) which corresponds to a margin of 8,2% (13,7). From the sales 6,5 MSEK and from the result 0, MSEK are derived from CitySync.

The costs during the quarter were 12,9 MSEK (7,1), The overall increase is related to a bigger structure coming from the acquisition of CitySync. No activation of direct development costs has been made.

Cash flow and financial position

As per March 31, 2016 available liquidity was 22,3 MSEK (17,2) of which the revolving credit is 8,0 MSEK (8,0). The company has claimed the loan commitment in the form of acquisition capital for potential acquisitions of 10 MSEK. Solidity at the end of the period was 62,1% (50,7). Cash flow from the running business was for the period -0,2 MSEK (3,4). The cash flow has been influenced by a negative mix within the working capital although the inventory decreased with approx. 2 MSEK.

In general the liquidity situation has been good, in spite of the acquisition made and this is a result of continued increased profitability for the mother company.

Accounts receivable were 16,2 MSEK (10,6) and supplier debts were 6,3 MSEK (5,6). The inventories were 12,1 MSEK (6,8), all as per March 31, 2016. The big increase of the inventories is explained by the CitySync inventories being included, but it is worth noting that the inventories have decreased by 2,3 MSEK compared to fourth quarter 2015 in spite of increased sales.

Business during the quarter

Traffic Solutions (Access/Parking): We continue our work and efforts with the partner program 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 our focus on North America, together with our local partner, being successful and more customers see the advantages with our products and the local service provided. We continue to actively build our brand being present at several fairs in this market, the world's largest RFID market. We also continue the work to strengthen our presence in our European markets where we think we have a good opportunity for profitable growth during the years to come. We participated during April in the Intertraffic fair, the world's largest fair for traffic solutions and which is held every second year in Amsterdam and there was a great interest in our total offering of both RFID and ANPR products.

Much focus was on the new XT-Mini directed specifically towards smaller parking and access installations, where sales started towards the end of the quarter. XT-Mini is positioned to be used by e.g. Condominiums, company parkings and smaller parking garages. CitySync has during the quarter started to sell CitySync 30, which is an ANPR camera directed partly towards the same application

areas as XT-Mini and which was followed by the CitySync 50 ANPR camera launched during the Intertraffic fair. We will continue to address existing and new customers with our combined and stronger product offering where our total competence in RFID and ANPR makes us differentiate ourselves and where we will become a more attractive partner for the system integrators building the smart cities of the future.

Rail Solutions: Has as has already been said above been characterized by intensive project work (NRE work) with the ambition to deliver prototypes during the second quarter. It is obvious that our value offering has become stronger with our new business model where we have the opportunity to offer our Rail customers to share our knowhow and application knowledge also in project form. We have already today a growing share of our Rail business through project sales and we see our relations developing positively while we also get access to more income flows increasing our business. We also see that our focus, a clear focus towards signaling systems suppliers, is successful. We hope to win more business within the CBTC (communication based train control) area during the year.

Employees, Organization and personnel

The number of employees in TagMaster AB was at the end of the period 40 (17). The average number of employees was 40 (17). The number of employees in CitySync Ltd has decreased by 11 full time persons since takeover.

Future outlook

The future outlook is unchanged and the company has good growth opportunities in Traffic Solutions as well as in Rail Solutions. TagMaster/CitySync's market shares are still small in a big and growing market, which means that future growth mainly depends on the company's own ability. We will 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 take back the position as market leading supplier of advanced RFID & ANPR solutions, TagMaster/CitySync 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. We are now looking forward to an exciting period when we should take advantage of the joint opportunities we have to participate in building smart cities and use our joint offering as well as to increase our market presence.

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.

Coming reports 2016-17

Annual General Meeting	April 28, 2016
Quarterly report April-June 2016	July 15, 2016
Quarterly report July-September 2016	October 27, 2016
Yearend report 2016	January 26, 2017

This report like all previous economic reports can be found at the company home page

www.tagmaster.com

For further information, please contact:

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Income statement (SEK 000) TagMaster AB (publ) The group	Q1 2016	Q1 2015	Full Year 2015
Net sales	24 620	19 234	78 975
Cost of goods and services sold	-9 520	-9 167	-32 582
Gross profit	15 100	10 067	46 393
Other income and changes in value	-157	-336	47
Other external costs	-4 209	-2 957	-18 231
Cost of personell	-8 702	-4 143	-25 507
Operating profit before depreciation (EBITDA)	2 032	2 631	2 702
Depreciation	-73	-8	-287
Goodwill amortization	-523		-1 078
Operating profit after depreciation (EBIT)	1 436	2 623	1 337
Financial Expenses	-158	-22	-50
Profit before tax	1 278	2 601	1 287
Tax	-368	-575	1 866
Net profit	910	2 026	3 153
Earnings per share before dilution	0,01	0,01	0,02
Earnings per share after dilution	0,01		0,02
Number of shares, average	167 824 391	107 731 708	144 711 821
Number of shares, end of the period	167 824 391	107 731 708	167 824 391

Balance sheet (SEK 000) TagMaster AB (publ) The group	2016-03-31	2015-03-31	2015-12-31
Assets			
Non-current assets	23 440	1 370	25 580
Inventories	12 129	6 709	14 372
Trade receivables	16 227	10 594	14 786
Other receivables	3 720	2 714	2 604
Cash and Cash equivalents	14 322	9 235	4 492
Total assets	69 838	30 622	61 834
Equity	43 359	15 519	44 059
Non-current liabilities	11 214	543	1 476
Trade payables	6 323	5 577	6 042
Other current liabilities	8 942	8 983	10 257
Total equity and liabilities	69 838	30 622	61 834

CASH FLOW STATEMENT (SEK 000)			
TagMaster AB (publ) The group	Q1 2016	Q1 2015	Full Year 2015
Cash flow from operating activities before change in working capital	1 636	2 609	3 109
Change in working capital	-1 821	757	2 069
Cash flow from operating activities	-185	3 366	5 178
Cash flow from investing activities	0		-35 174
Cash flow from financing activities	10 015		28 619
Cash flow during the period	9 830	3 366	-1 377
Cash and Cash equivalents at the start of the period	4 492	5 869	5 869
Cash and Cash equivalents at the end of the period	14 322	9 235	4 492

CHANGE IN OWN CAPITAL (SEK 000)				
TagMaster AB (publ) The group	Share capital	Other paid-up capital	Balanced result incl. year result	Total own capital
Formation of group	5 386	69 157	-61 050	13 493
Share issue	3 005	25 385		28 390
Warrant payments		697		697
Transaction difference			-1 674	-1 674
Result for the year			3 153	3 153
Own capital 2015-12-31	8 391	95 239	-59 571	44 059
Warrant payments		65		65
Transaction difference			-1 675	-1 675
Result for the period			910	910
Own Capital 2016-03-31	8391	95 304	-60 336	43 359

Income statement (SEK 000)	Q1	Q1	Full Year
TagMaster AB (publ) The company	2016	2015	2015
Net sales	18 081	19 234	66 468
Cost of goods and services sold	-7 450	-9 167	-28 472
Gross profit	10 631	10 067	37 996
Other income and changes in value	-145	-336	46
Other external costs	-3 263	-2 957	-12 830
Cost of personell	-5 263	-4 143	-17 499
Operating profit before depreciation (EBITDA)	1 960	2 631	7 713
Depreciation	0	-8	-92
Operating profit after depreciation (EBIT)	1 960	2 623	7 621
Financial Expenses	-316	-22	-311
Profit before tax	1 644	2 601	7 310
Tax	-368	-575	1 866
Net profit	1 276	2 026	9 176

Balance sheet (SEK 000)	2016-03-31	2015-03-31	2015-12-31
TagMaster (publ)			
The Company			
Assets			
Non-current assets	41 739	1 370	42 265
<i>Group</i>	<i>2 689</i>		
Inventories	6 635	6 709	8 405
Trade receivables	9 762	10 594	7 891
Other receivables	2 855	2 714	1 911
Cash and Cash equivalents	12 704	9 235	2 990
Total assets	73 695	30 622	63 462
Equity	52 336	15 519	51 059
Non-current liabilities	10 992	543	1 043
Trade payables	4 394	5 577	4 829
Other current liabilities	5 973	8 983	6 531
Total equity and liabilities	73 695	30 622	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 2014.

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 April 28 at 09.00 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 April 28, 2016

Rolf Norberg
Chairman

Joe Grillo

Gert Sviberg

Magnus Jonsson

Jonas Svensson
CEO