
TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) Interim Report 31 March 2016

- Net sales amounted to 0 (0) TSEK in the first quarter of 2016.
- Net profit/loss totalled -6 343 (-1 168) TSEK in the first quarter of the year.
- Cash flow from operating activities was -6 966 (-128) TSEK in the period from 1 January to 31 March 2016.
- TC TECH has hired additional key employees in the areas of installation, service and process technology in view of the planned expansion on the Asian market.

Developments after 31 March

- The company has signed agreement for the delivery of a production system to a customer in Taiwan, for production evaluation. The agreement provides valuable opportunities for TC TECH to build further knowhow about customer demands and technical specifications, at the same time as it validates the market's interest in TC TECH's technology.

Comments from Peter Mattisson, C.E.O.

TC TECH has developed a leading-edge production technology for the manufacture of advanced plastic components. However, it is not only the *method* that is unique, but also the *scope of potential applications*. The technology is of great interest for a number of industrial sectors, as there is a widespread demand for polymer details with extremely advanced surfaces – i.e., this is about nano-technological precision.

TC TECH has chosen the display industry as its initial focus. Here, we have identified an outspoken need for an entirely new kind of Light Guide Plate (LGP).

By the end of 2015, TC TECH secured its very first order for a production system, from a customer in Taiwan. This order was of course an important milestone in the history of the company, as it marked the transition from lab-scale to a proper production environment. We are now gaining indispensable experiences from customer applications, while at the same time gradually upgrading output yield towards the agreed target.

The master used in the process is actually not included in TC TECH's production system – each customer has its own. However, as the master is the carrier of the pattern to be replicated on the LGP by our systems, there is a strong technical link. The knowhow we are building now is thus vital for future development projects, and we are joining forces with several potential customers to develop solutions for a cost-efficient manufacturing of masters.

Even though the coordination of the total production environment is a time-consuming process, it is of utmost importance for us to secure an end product that really is as outstanding as it has the potentials to be. Our purpose is not to supply a solution that is "OK", but one that has what it takes to become the industry standard.

In the first quarter of 2016 we have thus spent considerable time on technological fine-tuning and customizing, on site in Asia. At the same time, we have given much focus to the preparation of our own organisation on several levels. In particular, I'd like to mention Andreas Lundquist who joined TC TECH in early April, shouldering the responsibility for technical support and installation projects. Andreas has many years of experience from a similar position with Mycronic, on the Asian market. Experiences that will, of course, be of great importance for TC TECH's continued development.

In parallel with the continued technical fine-tuning, contacts with potential customers are stepped up. TC TECH is met with considerable interest in all contacts with potential customers, and as the quality of our demo samples advances, technological evaluations are shifting to commercial discussions that give us valuable insights into the business environment of these potential customers. As a consequence, we are now in a position to focus on the functions that are of economical priority for the customer. TC TECH recently signed a delivery agreement for one more system to be delivered to Taiwan, initially for trial runs.

It is well known that new and groundbreaking technology takes longer than expected to gain a foothold on an established market. This has no impact on my assessment: in pace with our current adjustment to full-scale production and customizing, TC TECH will take off.

Karlshamn in May 2016

Peter Mattisson, C.E.O.

TC TECH - business concept

TC TECH develops, produces and markets systems used for the replication of nanostructures in plastic products. The company has its roots in a patented induction technique, developed in-house, that makes it possible to heat and cool plastic material in record time and with great precision.

TC TECH's technology is well suited for the production of plastic components in a wide range of application areas. To begin with, however, the company has chosen to focus only on systems for the manufacture of so-called Light Guide Plates, LGP. LGP is a plastic sheet or film that diffuses and directs light from the light source behind displays used in products like mobile phones, television sets, computers and tablets. TC TECH's production method paves the way for advanced LGP, which in turn allow for better-performing displays and screens. A more advanced LGP means higher resolution, lower energy consumption and thinner displays.

TC TECH's operations are based on ten years of dedicated R&D. In the past few years, the company has designed production systems that have met with considerable interest in the display industry. TC TECH is well connected among leading producers of screens, displays and components.

TC TECH's customers are partly producers of components for screens and displays; partly companies specialized in the manufacture of LGP. At the end of the production chain we find a limited number of companies producing screens and displays – suppliers to the major actors within consumer electronics such as Apple, Sony, Panasonic etc. TC TECH's potential customers consist of a limited number of companies in Korea, Taiwan, China and Japan. Some fifteen market actors cover an estimated 90 % of the market. The value of the LGP market alone is approximated at some 50 000 MSEK.

Sales and earnings

January – March

Net sales amounted to 0 (0) TSEK in the first quarter of 2016. Operating loss totalled -6 323 (-1 023) TSEK, net financial items -20 (-145) TSEK, and net loss -6 343 (-1 168) TSEK.

Financial position

In the first quarter of the year, cash flow from operating activities amounted to -6 966 (-128) TSEK, of which -2 435 (427) TSEK from changes in working capital. Cash flow from investing activities amounted to -1 070 (-2 253) TSEK, of which -476 (-852) TSEK attributable to fixed assets and -594 (-1 401) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled -59 (2 405) TSEK, of which -59 (-59) TSEK attributable to amortization of long-term debt and 0 (2 464) TSEK to increased borrowings. Total cash flow for the period January to March amounted to -8 095 (24) TSEK.

The company's total liabilities amounted to 9 850 (25 289) TSEK on 31 March, of which 4 840 (24 295) TSEK interest bearing. The major creditor was TC TECH's major shareholder, CIMON Enterprise AB. This liability is to be repaid only when the company's cash flow so allows.

The company's net liquid assets on 31 March 2016 amounted to 12 776 TSEK, of which 17 616 TSEK were cash and cash equivalents. On 31 March 2015, the company had net liabilities amounting to 23 296 TSEK, of which 999 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 38 545 (-782) TSEK on 31 March 2015, and its equity ratio was 79 % (neg).

Human resources

As of 31 March 2016, the company had a total number of 14 staff members, of whom 10 were employees.

As of 31 March 2015, the company had a total number of 7 staff members, but no employees.

Risks and uncertainties

TC TECH's operations are exposed to the following major risks:

- Market risks – TC TECH's potential sales volumes are closely linked to investments made in the display industry, and are thus exposed to the trade cycles of this industry.
- Customers – The number of display and LGP producers is limited, which entails an obvious concentration risk.
- Product quality – Should TC TECH's systems fail to fulfil customer requirements, there is a risk of declining demand for the company's products.
- Competitors – TC TECH operates on a competitive market, where most market actors have financial strengths surpassing those of TC TECH's.
- Other technologies – TC TECH's market potential may be hampered by developments in favour of other types of displays – displays that do not rely on LGP.
- Human resources – TC TECH is a small-scale company, with less than 10 employees. A number of those are key persons, essential for the continued development of TC TECH.
- IPR – Most of TC TECH's IPR are protected by patents or similar rights. Nevertheless, there will always be a risk of competitors trying to copy TC TECH's technology.

Visions and goals

- TC TECH's vision is to establish the company's systems as an international standard for the replication of advanced polymer products.
- Our goal is to secure some ten orders in 2016.
- Our ambition for the next few years is to establish TC TECH as a high-growth, profitable company, profiled as the leading actor within production systems for advanced LGP.

Prospects

Developments on the display market are prompted by producers of consumer electronics, who are demanding displays with higher resolution and lower energy consumption. They also require displays to be as thin as possible, to allow for even slimmer end products. All of these requirements call for optically more advanced LGP. The market is thus ripe for a technological shift involving a new production technology for LGP. The electronic equipment industry, to which TC TECH belongs, is first and foremost prompted by technological development called for by new product models. New models require new production methods. The market size for LGP is a function of the total number of square meters to be produced, rather than the number of screens or displays. The trend goes towards larger and larger displays in smartphones and tablets, which works to TC TECH's advantage.

Developments after 31 March

In view of the AGM scheduled for 26 May, TC TECH's nominating committee has proposed that Peter Mattisson be appointed Chairman of the Board. The nominating committee has furthermore proposed the re-election of all current board members, including Per-Anders Johansson.

The Board of Directors has decided to appoint Alexander Luiga as C.E.O. in connection with the AGM.

TC TECH recently signed an agreement with a customer in Taiwan, for a production system to be delivered for trial runs.

Apart from that, no significant circumstances have occurred since 31 March.

Accounting principles

The company applies the accounting principles of BFNAR 2012:1 (K3), which are also the accounting and reporting principles used in the preparation of the company's most recent annual report. A limited number of the figures reported in the 2014 income statement have been adjusted to comply with the principles adopted by the company when progressing from the status of a pure R&D operation to that of a combined R&D/manufacturing company.

Review

These summarized financial statements have not been reviewed by the company's auditors. TC TECH's ambition is to adhere, to the extent possible, to the regulations of the Swedish Code of Corporate Governance. Thus, the interim report as of 30 September 2016 will be reviewed by the company's auditors.

Corporate information

TC TECH Sweden AB (publ), corporate identity number 556852-1883. The company has its statutory seat in Karlshamn, at Pirgatan 13, SE-374 35 KARLSHAMN. Furthermore, the company has operations (mainly R&D) at Domnarvsgatan 4, SE-163 53 SPÅNGA.

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TC TECH has appointed Erik Penser Bank as its Certified Adviser.

Financial calendar

Interim Report as of 30 June 2016	26 August 2016
Interim Report as of 30 September 2016	25 November 2016
Year-end Report as of 31 December 2016	23 February 2017

This interim report and the summarized financial statement as of 31 December 2015 are available on TC TECH's website www.tchtech.se. Annual reports are published in Swedish only.

Affirmation

TC TECH's Board of Directors and C.E.O. hereby assure that this interim report gives a true and fair view of the company's operations, financial position and performance, and describes the essential risks and uncertainties that the company may encounter.

Karlshamn, 26 May 2016

TC TECH Sweden AB (publ)



Per-Anders Johansson
Chairman of the Board



Sven Löfquist
Director of the Board



Jörgen Brandt
Director of the Board



Cecilia Jinert Johansson
Director of the Board



Peter Mattisson
C.E.O.

For further information, please contact

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Summarized income statements, TSEK

	3 months Jan – Mar 2016	3 months Jan – Mar 2015	Full year 2015
Net sales	-	-	-
Change in inventories of products in progress, finished goods etc.	1 437	-	1 486
Capitalized R&D expenses	521	1 388	7 556
Other operating income	-	12	126
Total operating income	1 958	1 400	9 168
Raw materials and consumables	-1 950	-	-1 486
Other external costs	-2 425	-1 947	-11 889
Personnel costs	-2 073	-	-1 593
Depreciation	-1 833	-476	-2 929
Total operating costs	-8 281	-2 423	-17 897
Operating profit/loss	-6 323	-1 023	-8 729
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-20	-145	-437
Profit/loss after net financial items	-6 343	-1 168	-9 166
Tax	-	-	-
Net profit/loss for the period	-6 343	-1 168	-9 166

Summarized balance sheets, TSEK

	2016 31 Mar	2015 31 Mar	2015 31 Dec
Assets			
Intangible fixed assets	22 603	17 036	23 226
Tangible fixed assets	3 392	5 967	3 526
Total fixed assets	25 995	23 003	26 752
Products in progress/for resale	3 652	-	2 221
Current receivables	1 349	961	2 158
Cash and bank balances	17 616	999	25 712
Total current assets	22 617	1 960	30 091
Total assets	48 612	24 963	56 843
Equity and liabilities			
Shareholders' equity	38 545	-782	44 888
Interest-bearing liabilities	4 840	24 295	4 877
Non-interest-bearing liabilities	5 227	1 450	7 078
Total equity and liabilities	48 612	24 963	56 843

Summarized cash flow analyses, TSEK

	3 months Jan – Mar 2016	3 months Jan – Mar 2015	Full year 2015
Cash flow from operating activities	-6 966	-128	-4 129
Cash flow from investing activities	-1 070	-2 253	-9 065
Cash flow from financing activities	-59	2 405	37 930
Cash flow for the period	-8 095	24	24 736
<i>Cash and cash equivalents, opening balance</i>	<i>25 711</i>	<i>975</i>	<i>975</i>
<i>Cash and cash equivalents, closing balance</i>	<i>17 616</i>	<i>999</i>	<i>25 711</i>

Data per share

	3 months Jan – Mar 2016	3 months Jan – Mar 2015	Full year 2015
Earnings per share, SEK ¹⁾	-0.63	-0.59	-2.36
Earnings per share, SEK, diluted ²⁾	-0.63	-0.59	-2.36
Equity per share ¹⁾	3.83	-0.40	4.46
Cash flow from operating activities per share, SEK ¹⁾	-0.69	-0.06	-1.06
Share price on closing day, SEK	25.70	n/a	38.20
Number of shares on balance sheet day	10 071 550	1 974 137	10 071 550
Number of shares on balance sheet day, diluted ²⁾	10 580 175	1 982 762	10 580 175
Number of shares, weighted average	10 071 550	1 974 137	3 878 232
Number of shares, weighted average, diluted ²⁾	10 580 175	1 982 762	4 063 569

¹⁾ Earnings and cash flow per share are based on the weighted average number of shares in the period. Equity per share is based on the total number of issued shares on balance sheet day.

²⁾ As of 31 March 2016, the company had two warrant commitments in force. In September 2014, TC TECH issued 8 625 share warrants giving the right to subscribe for a maximum of 8 625 new shares in the company. The exercise period expires on 2017-12-31, the exercise price corresponding to SEK 14 per share. In August 2015, TC TECH issued 500 000 share warrants giving the right to subscribe for a maximum of 500 000 shares. The exercise period runs from 2016-01-01 to 2018-12-31, the exercise price corresponding to SEK 14 per share. In all, should both warrant commitments be fully exercised, the new shares would correspond to 5.1 % of the total number of issued shares. The warrants have been acquired at market value by persons deemed to be essential for the continued development and success of the company.

Changes in equity, TSEK

	Share capital	Share premium reserve	Retained earnings - P/L for the period	Total equity
1 January 2015	158	4	225	387
New share issues	648	55 224		55 872
Bonus issue			-48	-48
Issue expenses			-2 157	-2 157
Loss for the year			-9 166	-9 166
31 December 2015	806	55 228	-11 146	44 888
Loss for the period			-6 343	-6 343
31 March 2016	806	55 228	-17 489	38 545

In 2015, the company has made three new share issues: one offset issue directed to CIMON Enterprise AB, TC TECH's major shareholder; one bonus issue directed to TC TECH's four original shareholders, and a new share issue in connection with TC TECH's listing on Nasdaq First North. All in all, a total number of 8 097 413 shares were issued in 2015, resulting in a total share capital increase of SEK 647 793. The only share issue that affected the company's cash flow was the one undertaken in connection with the listing. There have been no further share issues in the period 1 January - 31 March 2016.

Key ratios

	3 months Jan – Mar 2016	3 months Jan – Mar 2015	Full year 2015
Operating margin, %	Neg	Neg	Neg
Equity/assets ratio, %	79 %	Neg	79 %
Liquid assets, net (TSEK)	12 776	-23 296	19 813
Market capitalization at year-end, TSEK	258 839	n/a	384 733