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# TC TECH

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THERMAL CYCLIC TECHNOLOGIES  
OF SWEDEN

## **TC TECH Sweden AB (publ) Interim Report 31 March 2017**

- Net sales amounted to 3 141 (0) TSEK in the first quarter of 2017.
- Net profit/loss totalled -4 472 (-6 343) TSEK in the first quarter of the year.
- Cash flow from operating activities was -4 095 (-6 966) TSEK in the period from 1 January to 31 March 2017.

### **Developments after year-end**

- In April, TC TECH's Roll to Sheet system (RtS) was cleared for shipment to Taiwan. This new handling equipment has been developed in close cooperation with the customer, and was cleared at TC TECH's premises in Spånga under conditions similar to full-scale production. The RtS equipment will now be available to the customer for three months of evaluation, part of the time in full-scale production.

## Comments from Alexander Luiga, C.E.O.

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### System cleared

*TC TECH's business strength rests on the company's unique technology, designed to rapidly heat and cool substrates for applications such as nano-pattern replication on Light Guide Plates (LGP).*

#### **First quarter with system approval and reported income**

The first quarter of 2017 was one of several important steps forward. Our first production system was cleared by the customer, which meant that we could report income generated by actual sales. We also signed an agreement for our first Roll to Sheet System (RtS), which was shipped to the customer in early May. This RtS is now being installed at the site of the second of our delivered TCP systems, to be evaluated by the customer for a period of three months. Part of this time, the complete system will be put to test in full-scale production. I am deeply satisfied that we have now taken these steps towards a fully developed turn-key system, as this will put us in a better position in view of new orders. Both systems have been sold to Taiwan, and are primarily targeted for the LGP market.

#### **Financial position**

The income from the first delivered system was accounted for in the first quarter of this year, and we were thus able to report sales income for the first time. In the past few months we have made the investments deemed necessary in technology developments and market penetration – such as the development of our Roll to Sheet system – but have otherwise put other important but cash-flow demanding activities on hold until additional orders are in place.

#### **Market with potentials**

TC TECH's advanced technology offers a unique, high degree of replication of nano patterns. This is a competitive advantage when we offer our customers the possibility to prepare for the next generation of LGP, and paves the way for TC TECH's technology on its way to becoming the standard for production systems aimed for future advanced products.

Throughout the first quarter of the year the market has remained cautious, holding off new investments. The market for consumer electronics is a volatile one, with a high innovation rate. As investments for the producers at the various stages of production are sizeable, their investment decisions are quite complex. As a consequence, investments tend to be cyclic rather than continuous. Despite the current wait-and-see atmosphere on the market, however, new production equipment is constantly evaluated.

We are currently making test runs for a number of potential customers in the Asian LGP market, a cooperation that is continuously developed and intensified.

The production system that was shipped to Taiwan for evaluation in the second half of 2016 has fulfilled the customer's quality requirements and is now being fitted with the RtS solution mentioned above. Final evaluation of the complete system is expected in the third quarter of 2017. It is worth mentioning that this system allows for the use of polymer substrates without protection film, which will help our customers cut their cost of goods.

We are also pursuing marketing activities in other future application areas for our technology, and are communicating with interested parties in these areas and industries. As the contacts we have established are serious, I look forward to transforming these discussions into future businesses.

#### **Promising prospects**

It takes time to become an established supplier to major Asian producers within consumer electronics, a fact that may be frustrating at times - for all of us. As a matter of course, we continue to spend considerable efforts on continued adjustments of our technology to applications other than LGP. This work is carried out in close cooperation with current as well as potential customers. We have an outstanding technology that will help us provide our customers with the kind of integrated production systems required for their future needs.

Spånga in May 2017

*Alexander Luiga, C.E.O.*

## **TC TECH - business concept**

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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**

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### **January - March 2017**

Net sales amounted to 3 141 (0) TSEK in the first quarter of 2017. Operating loss totalled -4 449 (-6 323) TSEK, net financial items -23 (-20) TSEK, and net loss -4 472 (-6 343) TSEK.

### **Financial position**

In the first quarter of the year, cash flow from operating activities amounted to -4 095 (-6 966) TSEK, of which -1 477 (-2 435) TSEK from changes in working capital. Cash flow from investing activities amounted to -1 255 (-1 070) TSEK, of which -980 (-476) TSEK attributable to fixed assets and -275 (-594) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 590 (-59) TSEK of which -40 (-59) TSEK attributable to amortization of long-term debt and 630 (0) TSEK to new share issue. Total cash flow for the period January to March amounted to -4 760 (-8 095) TSEK.

The company's total liabilities amounted to 6 758 (10 067) TSEK on 31 March 2017, of which 4 597 (4 840) TSEK interest bearing. The major creditor was TC TECH's largest 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 2017 amounted to 5 444 TSEK, of which 10 041 TSEK were cash and cash equivalents. On 31 March 2016, the company had net liquid assets amounting to 12 776 TSEK of which 17 616 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 31 789 (38 545) TSEK on 31 March 2017, and its equity ratio was 82 % (79 %).

## Human resources

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As of 31 March 2017, the company had a total number of 14 staff members, of whom 11 were employees.  
As of 31 March 2016, the company had a total number of 14 staff members, of whom 10 were employees.

## Risks and uncertainties

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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

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- TC TECH's vision is to establish the company's systems as an international standard for the replication of advanced polymer products.
- 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.
- In due course, TC TECH's technology will expand into other application areas.

## Prospects

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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 2017

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In April, TC TECH's Roll to Sheet system (RtS) was cleared for shipment to the customer in Taiwan. This new handling equipment has been developed in close cooperation with the customer, and was cleared at TC TECH's premises in Spånga under conditions similar to full-scale production. The RtS equipment will now be made available to the customer for three months of evaluation, part of the time in full-scale production.

## Accounting principles

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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.

## Review

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These summarized financial statements have not been reviewed by the company's auditor. 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 2017 will be reviewed by the company's auditor.

## Corporate information

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

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## Financial calendar

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Interim Report as of 30 June 2017	25 August 2017
Interim Report as of 30 September 2017	23 November 2017
Summarized Financial Statement as of 31 December 2017	22 February 2018

This interim report, as well as all other interim reports published since TC TECH's listing in November 2015, are available on TC TECH's website [www.tchtech.se](http://www.tchtech.se). Annual reports are published in Swedish only.

## Affirmation

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TC TECH's Board of Directors and C.E.O. hereby assure that these summarized financial statements give a true and fair view of the company's operations, financial position and performance, and describe the essential risks and uncertainties that the company may encounter.

Karlshamn, 18 May 2017

TC TECH Sweden AB (publ)

Peter Mattisson  
*Chairman of the Board*

Sven Löfquist  
*Director of the Board*

Jörgen Brandt  
*Director of the Board*

Cecilia Jinert Johansson  
*Director of the Board*

Per-Anders Johansson  
*Director of the Board*

Anders Lönner  
*Director of the Board*

Alexander Luiga  
*C.E.O.*

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## Summarized income statements, TSEK

	<b>3 months Jan - Mar 2017</b>	<b>3 months Jan - Mar 2016</b>	<b>Full Year 2016</b>
Net sales	3 141	-	-
Change in inventories of products in progress, finished goods etc.	61	1 437	1 575
Capitalized R&D expenses	92	521	2 854
Other operating income	-	-	1
<b>Total operating income</b>	<b>3 294</b>	<b>1 958</b>	<b>4 429</b>
Raw materials and consumables	-1 678	-1 950	-2 095
Other external costs	-1 728	-2 425	-8 334
Personnel costs	-2 483	-2 073	-9 677
Depreciation	-1 854	-1 833	-7 069
<b>Total operating costs</b>	<b>-7 743</b>	<b>-8 281</b>	<b>-27 175</b>
<b>Operating profit/loss</b>	<b>-4 449</b>	<b>-6 323</b>	<b>-22 746</b>
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-23	-20	-70
<b>Profit/loss after net financial items</b>	<b>-4 472</b>	<b>-6 343</b>	<b>-22 816</b>
Tax	-	-	-
<b>Net profit/loss for the period</b>	<b>-4 472</b>	<b>-6 343</b>	<b>-22 816</b>

## Summarized balance sheets, TSEK

	<b>2017 31 March</b>	<b>2016 31 March</b>	<b>2015 31 March</b>
<b>Assets</b>			
Intangible fixed assets	20 184	22 603	21 385
Tangible fixed assets	5 257	3 392	4 655
<b>Total fixed assets</b>	<b>25 441</b>	<b>25 995</b>	<b>26 040</b>
Products in progress/for resale	2 028	3 652	3 571
Current receivables	1 037	1 349	924
Cash and bank balances	10 041	17 616	14 801
<b>Total current assets</b>	<b>13 106</b>	<b>22 617</b>	<b>19 296</b>
<b>Total assets</b>	<b>38 547</b>	<b>48 612</b>	<b>45 336</b>
<b>Equity and liabilities</b>			
Shareholders' equity	31 789	38 545	35 631
Interest-bearing liabilities	4 597	4 840	4 615
Non-interest-bearing liabilities	2 161	5 227	5 090
<b>Total equity and liabilities</b>	<b>38 547</b>	<b>48 612</b>	<b>45 336</b>

## Summarized cash flow analyses, TSEK

	<b>3 months Jan - Mar 2017</b>	<b>3 months Jan - Mar 2016</b>	<b>Full year 2016</b>
Cash flow from operating activities	-4 095	-6 966	-17 945
Cash flow from investing activities	-1 255	-1 070	-6 286
Cash flow from financing activities	590	-59	13 321
Cash flow for the period	-4 760	-8 095	-10 910
<i>Cash and cash equivalents, opening balance</i>	<i>14 801</i>	<i>25 711</i>	<i>25 711</i>
<i>Cash and cash equivalents, closing balance</i>	<i>10 041</i>	<i>17 616</i>	<i>14 801</i>

## Data per share

	<b>3 months Jan - Mar 2017</b>	<b>3 months Jan - Mar 2016</b>	<b>Full year 2016</b>
Earnings per share, SEK <sup>1)</sup>	-0.46	-0.63	-2.22
Earnings per share, SEK, diluted <sup>2)</sup>	-0.46	-0.63	-2.22
Equity per share <sup>1)</sup>	2.95	3.83	3.32
Cash flow from operating activities per share, SEK <sup>1)</sup>	-0.38	-0.69	-1.82
Share price on closing day, SEK	30.00	25.70	51.00
Number of shares on balance sheet day	10 783 250	10 071 550	10 738 250
Number of shares on balance sheet day, diluted <sup>2)</sup>	11 230 175	10 580 175	11 230 175
Number of shares, weighted average	10 753 750	10 071 550	10 287 377
Number of shares, weighted average, diluted <sup>2)</sup>	11 230 175	10 580 175	10 793 874

<sup>1)</sup> 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.

<sup>2)</sup> As of 31 March 2017, the company had one warrant commitment 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 expired on 2017-12-31, the exercise price corresponding to SEK 14 per share. These warrants were exercised in December 2016. 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. The warrants have been acquired at market value by persons deemed to be essential for the continued development and success of the company. In 2016, a total of 8 075 of these warrants were exercised, whereby TC TECH's share capital increased by SEK 1 336, and the number of issued shares by 16 700. In the first quarter of 2017, an additional 45 000 warrants were exercised, whereby the share capital increased by 3 600 SEK. Thereby, a total of 446 925 warrants now remain to be exercised. In all, should all outstanding warrant commitments be fully exercised, the new shares would correspond to 4.1 % of the total number of issued shares.

## Changes in equity, TSEK

	Share capital	Share premium reserve	Retained earnings - P/L for the period	Total equity
<b>1 January 2016</b>	<b>806</b>	<b>53 072</b>	<b>-8 990</b>	<b>44 888</b>
Loss for the period	-	-	-6 343	-6 343
<b>31 March 2016</b>	<b>806</b>	<b>53 072</b>	<b>-15 333</b>	<b>38 545</b>
New share issues	53	13 505	-	13 558
Transfer to development fund	2 626	-	-2 626	-
Loss for the period	-	-	-16 472	-16 472
<b>31 December 2016</b>	<b>3 485</b>	<b>66 577</b>	<b>-34 431</b>	<b>35 631</b>
New share issue	4	626	-	630
Loss for the period	-	-	-4 472	-4 472
<b>31 March 2017</b>	<b>3 489</b>	<b>67 203</b>	<b>-38 903</b>	<b>31 789</b>

In the period 1 January – 31 December 2016, the company made three new share issues: a directed issue of 650 000 shares subscribed for by Anders Lönner and Länsförsäkringar Kalmar län; one issue of 6 700 shares prompted by the exercise of 6 700 warrants, and in December yet another issue prompted by the exercise of 10 000 warrants.

In the first quarter of 2017, one share issue has been implemented, prompted by the exercise of 45 000 warrants.

## Key ratios

	3 months Jan - Mar 2017	3 months Jan - Mar 2016	Full year 2016
Operating margin, %	Neg	Neg	Neg
Equity/assets ratio, %	82 %	79 %	79 %
Liquid assets, net (TSEK)	5 444	12 776	10 186
Market cap, end of period, TSEK	323 498	258 839	547 651