
TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) Interim Report 30 June 2016

- Net sales amounted to 0 (0) TSEK in the second quarter of 2016.
- Net profit/loss totalled -5 928 (-857) TSEK in the second quarter of the year.
- Cash flow from operating activities was -4 323 (-541) TSEK in the period from 1 April to 30 June 2016.
- Net sales amounted to 0 (0) TSEK in the first half of 2016.
- Net profit/loss totalled -12 272 (-2 025) TSEK in the first half of 2016.
- Cash flow from operating activities was -11 289 (-669) TSEK in the period from 1 January to 30 June 2016.
- In May 2016, the company signed an 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.

Developments after 30 June

- On 16 August, the company announced a directed issue of 650 000 new shares, based on the authorization granted by the AGM held on 26 May 2016. As a result, the company's share capital will increase by 52 TSEK and liquid funds by 13.3 MSEK. The major part of the share issue was subscribed for by Anders Lönner, who thereby became TC TECH's second-largest shareholder. The remaining 150 000 shares were subscribed for by Länsförsäkringar Kalmar län.
- On 23 August, the company published a notice convening an extraordinary general meeting, to be held in Karlshamn on 20 September. The purpose of the meeting is to appoint Anders Lönner Director of the Board.

Comments from Alexander Luiga, C.E.O.

Full steam ahead, even though the road has been bumpy at times

My first months as C.E.O. have been hectic, challenging and exciting – but first and foremost they have definitely fortified my belief in the company. During this period we have been in contact with an additional number of potential customers in the display industry, and have been able to verify that there is indeed a strong interest in the development of more efficient, mass-produced LGP (Light Guide Plates).

By the end of 2015 we landed our first order, for a system delivered to a customer in Taiwan. The system was installed in the first quarter of 2016, and has since then been gradually adjusted to full-scale production in parallel with continued improvements and customizations. We expect the system to achieve the targeted productivity level in the next few months. Throughout this period, we have continued to gain valuable experiences from hands-on, large-scale production. These experiences have been particularly useful this summer, as we have been able to implement them in our second system that is now ready for approval. Based on the experiences gained and the know-how built, we expect this system to be in full production considerably faster than the first one.

As is often the case when brand new technology is launched, it has been time-consuming work to synchronise our systems with full-scale production. With the experiences gained from the first systems installed, we will very soon reach a solution that provides a good platform for becoming a standard within the industry. However, this first tune-up phase has taken around six months longer than planned.

With our Asian partners we are now intensifying contacts with potential customers, in pace with the adjustment of our systems to mass production. In addition to the systems already delivered, we are having very hands-on discussions and trial runs with potential customers in Taiwan, Korea and China. Interest is strong, and the fact that our systems are now ready for full-scale production paves the way for additional orders.

In parallel with our technological developments and adjustments to large-scale production environments in Asia, we have gradually fortified our organisation throughout the first six months of the year. We are now well set to handle the growing market interest.

The recently announced directed equity issue is of course very good news for our company – for several reasons. First and foremost, the fact that consistent and forward-looking investors like Anders Lönner and Länsförsäkringar Kalmar län have chosen to invest in TC TECH is a significant confirmation of our market potential, our technology and our prospects. Furthermore, the equity issue gives us access to valuable expertise and business skills. Last but by no means least, this means that we will now be able to move things up a gear when it comes to sales and marketing in Asia. In other words, full steam ahead!

Spånga in August 2016

Alexander Luiga, 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

April - June 2016

Net sales amounted to 0 (0) TSEK in the second quarter of 2016. Operating loss totalled -5 921 (-716) TSEK, net financial items -7 (-141) TSEK, and net loss -5 928 (-857) TSEK.

January - June 2016

Net sales amounted to 0 (0) TSEK in the first half of 2016. Operating loss totalled -12 244 (-1 739) TSEK, net financial items -28 (-286) TSEK, and net loss -12 272 (-2 025) TSEK.

Financial position

In the second quarter of the year, cash flow from operating activities amounted to -4 323 (-541) TSEK, of which 20 (-102) TSEK from changes in working capital. Cash flow from investing activities amounted to -1 478 (-2 877) TSEK, of which -750 (-825) TSEK attributable to fixed assets and -728 (-2 052) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled -60 (2 747) TSEK of which -60 (-59) TSEK attributable to amortization of long-term debt and 0 (2 806) TSEK to increased borrowings. Total cash flow for the period April to June amounted to -5 861 (-671) TSEK.

In the first half of the year, cash flow from operating activities amounted to -11 289 (-669) TSEK, of which -2 435 (-462) TSEK from changes in working capital. Cash flow from investing activities amounted to -2 548 (-5 130) TSEK, of which -1 226 (-1 678) TSEK attributable to fixed assets and -1 322 (-3 452) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled -119 (5 152) TSEK of which -119 (-119) TSEK attributable to amortization of long-term debt and 0 (5 271) TSEK to increased borrowings. Total cash flow for the first six months of 2016 amounted to -13 956 (-647) TSEK.

The company's total liabilities amounted to 10 003 (28 767) TSEK on 30 June 2016, of which 4 804 (26 369) 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 30 June 2016 amounted to 6 952 TSEK, of which 11 755 TSEK were cash and cash equivalents. On 30 June 2015, the company had net liabilities amounting to 26 041 TSEK of which 328 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 32 616 (-1 639) TSEK on 30 June 2016, and its equity ratio was 77 % (neg).

Human resources

As of 30 June 2016, the company had a total number of 14 staff members, of whom 11 were employees. As of 30 June 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 a limited number of 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 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.
- Our technology will be gradually implemented in new application areas.

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 30 June 2016

On 16 August, the company announced a directed issue of 650 000 new shares, based on the authorization granted by the AGM held on 26 May 2016. As a result, the company's share capital will increase by 52 TSEK and liquid funds by 13.3 MSEK. The major part of the share issue (500 000 shares) was subscribed for by Anders Lönner, who thereby becomes TC TECH's second-largest shareholder. The remaining 150 000 shares were subscribed for by Länsförsäkringar Kalmar län.

On 23 August, the company published a notice convening an extraordinary general meeting. The meeting will be held in Karlshamn on 20 September 2016, the purpose being to appoint Anders Lönner Director of the Board.

Apart from that, no significant developments have occurred since 30 June 2016.

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 September 2016	25 November 2016
Year-end Report as of 31 December 2016	23 February 2017
Interim Report as of 31 March 2017	18 May 2017

This interim report, other interim reports published since TC TECH's listing in November 2015 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 August 2016

TC TECH Sweden AB (publ)



Peter Mattisson
Chairman of the Board



Sven Löfquist
Director of the Board



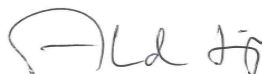
Jörgen Brandt
Director of the Board



Cecilia Jinert Johansson
Director of the Board



Per-Anders Johansson
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This information is information that TC TECH Sweden AB (publ) is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.00 CET on 26 August 2016.

Summarized income statements, TSEK

	3 months Apr - Jun 2016	3 months Apr - Jun 2015	6 months Jan - Jun 2016	6 months Jan - Jun 2015	Full year 2015
Net sales	-	-	-	-	-
Change in inventories of products in progress, finished goods etc.	198	95	1 635	95	1 486
Capitalized R&D expenses	752	434	1 273	1 821	7 556
Other operating income	-	48	1	61	126
Total operating income	950	577	2 909	1 977	9 168
Raw materials and consumables	-144	-	-2 093	-	-1 486
Other external costs	-2 568	-875	-4 994	-2 821	-11 889
Personnel costs	-2 574	-	-4 648	-	-1 593
Depreciation	-1 585	-418	-3 418	-895	-2 929
Total operating costs	-6 871	-1 293	-15 153	-3 716	-17 897
Operating profit/loss	-5 921	-716	-12 244	-1 739	-8 729
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-7	-141	-28	-286	-437
Profit/loss after net financial items	-5 928	-857	-12 272	-2 025	-9 166
Tax	-	-	-	-	-
Net profit/loss for the period	-5 928	-857	-12 272	-2 025	-9 166

Summarized balance sheets, TSEK

	2016 30 June	2015 30 June	2015 31 Dec
Assets			
Intangible fixed assets	22 084	19 088	23 226
Tangible fixed assets	3 799	6 374	3 526
Total fixed assets	25 883	25 462	26 752
Products in progress/for resale	3 856	-	2 221
Current receivables	1 125	1 338	2 158
Cash and bank balances	11 755	328	25 712
Total current assets	16 736	1 666	30 091
Total assets	42 619	27 128	56 843
Equity and liabilities			
Shareholders' equity	32 616	-1 639	44 888
Interest-bearing liabilities	4 804	26 369	4 877
Non-interest-bearing liabilities	5 199	2 398	7 078
Total equity and liabilities	42 619	27 128	56 843

Summarized cash flow analyses, TSEK

	3 months Apr - Jun 2016	3 months Apr - Jun 2015	6 months Jan - Jun 2016	6 months Jan - Jun 2015	Full year 2015
Cash flow from operating activities	-4 323	-541	-11 289	-669	-4 129
Cash flow from investing activities	-1 478	-2 877	-2 548	-5 130	-9 065
Cash flow from financing activities	-60	2 747	-119	5 152	37 930
Cash flow for the period	-5 861	-671	-13 956	-647	24 736
<i>Cash and cash equivalents, opening balance</i>	<i>17 616</i>	<i>999</i>	<i>25 711</i>	<i>975</i>	<i>975</i>
<i>Cash and cash equivalents, closing balance</i>	<i>11 755</i>	<i>328</i>	<i>11 755</i>	<i>328</i>	<i>25 711</i>

Data per share

	3 months Apr - Jun 2016	3 months Apr - Jun 2015	6 months Jan - Jun 2016	6 months Jan - Jun 2015	Full year 2015
Earnings per share, SEK ¹⁾	-0.59	-0.43	-1.22	-1.03	-2.36
Earnings per share, SEK, diluted ²⁾	-0.59	-0.43	-1.22	-1.03	-2.36
Equity per share ¹⁾	3.24	-0.83	3.24	-0.83	4.46
Cash flow from operating activities per share, SEK ¹⁾	-0.43	-0.27	-1.12	-0.34	-1.06
Share price on closing day, SEK	19,80	n/a	19,80	n/a	38,20
Number of shares on balance sheet day	10 071 550	1 974 137	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	1 982 762	10 580 175
Number of shares, weighted average	10 071 550	1 974 137	10 071 550	1 974 137	3 878 232
Number of shares, weighted average, diluted ²⁾	10 580 175	1 982 762	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 30 June 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	-	-	-12 272	-12 272
30 June 2016	806	55 228	-23 418	32 616

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 - 30 June 2016.

Key ratios

	3 months Apr - Jun 2016	3 months Apr - Jun 2015	6 months Jan - Jun 2016	6 months Jan - Jun 2015	Full year 2015
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	77 %	Neg	77 %	Neg	79 %
Liquid assets, net (TSEK)	6 952	-26 041	6 952	-26 041	19 813
Market capitalization at year-end, TSEK	199 417	n/a	199 417	n/a	384 733