

TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

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

- Net sales amounted to 0 (0) TSEK in the third quarter of 2016.
- Net profit/loss totalled -5 498 (-1 381) TSEK in the third quarter of the year.
- Cash flow from operating activities was -3 847 (-932) TSEK in the period from 1 July to 30 September 2016.
- Net sales amounted to 0 (0) TSEK in the first nine months of 2016.
- Net profit/loss totalled -17 769 (-3 407) TSEK in the period from 1 January to 30 September 2016.
- Cash flow from operating activities was -15 135 (-1 601) TSEK in the period from 1 January to 30 September 2016.
- In August, TC TECH made a directed issue of 650 000 new shares, whereby the company's liquid funds increased by 13.3 MSEK. The major part of the share issue, 500 000 shares, 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 20 September, an extraordinary general meeting appointed Anders Lönner Director of the Board.

Comments from Alexander Luiga, C.E.O.

The bumpy road is flattening off – now we're stepping up the pace

I'm writing this on my way home from two rewarding weeks in Asia, confidently looking forward to the next steps of TC TECH's development.

In May this year, TC TECH signed an agreement for the delivery of a production system for production evaluation. This system has now satisfied all customer specifications, which means that delivery and FAT (Factory Approval Test) have been successfully concluded. I expect the two systems we have delivered so far to achieve their SAT (Site Approval Test) in the very near future. This means not only that we will soon be able to show some turnover, but it also signifies the important milestone needed for us to take the next step in our sales & marketing plan. The tune-up phase needed to synchronize all aspects of a full-scale production environment is thus drawing to a close.

During my trip to Asia I met with potential customers in Taiwan, Japan, South Korea and China. All of these meetings had one thing in common: strong interest. We are now stepping up the pace towards the market, and several of the potential customers I met in Asia are now scheduled for test-runs at our lab in Spånga. Evidently, we count on these test-runs to lead to new orders.

Our technology makes it possible to heat/cool large surfaces very quickly, at the same time as we achieve accurate replication of even the most demanding polymer structures (nano-technology). This has led to interest among potential customers outside our current application area (LGP, Light Guide Plates). Our commercial focus remains on LGP and screens, but it goes without saying that a natural part of our long-term growth is to gradually expand into new segments where our unique induction technology may lead to commercial success.

In parallel with the tune-up phase, our R&D resources have developed a roll-to-sheet device, an add-on of utmost importance for our customers. These past few months, we have cooperated closely with our first customer to tailor a module for the feed-in/feed-out of the substrates to be replicated. The roll-to-sheet device is equipped with a control unit as well as a cutting device, and is from now on available for demos, at our R&D facility in Spånga.

Another part of our technological development has been to develop standard stampers, on which our customers will be able to stamp their desired patterns. The idea of TC TECH supplying the stamper as well is to pave the way for our customers, while at the same time contributing to sales and providing yet another source of income. We are right now in the final phase of verifying these standard stampers, and will be able to supply them in larger volumes from year-end.

We have also taken the opportunity to give our Asian partners some further training in view of pending installations, while also securing future deliveries from our sub-contractors. I look forward, with confidence, to continue this promising journey together with our partners.

Spånga in November 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

July - September 2016

Net sales amounted to 0 (0) TSEK in the third quarter of 2016. Operating loss totalled -5 474 (-1 256) TSEK, net financial items -24 (-125) TSEK, and net loss -5 498 (-1 381) TSEK.

January - September 2016

Net sales amounted to 0 (0) TSEK in the first nine months of 2016. Operating loss totalled -17 718 (-2 996) TSEK, net financial items -51 (-411) TSEK, and net loss -17 769 (-3 407) TSEK.

Financial position

In the third quarter of the year, cash flow from operating activities amounted to -3 847 (-932) TSEK, of which -312 (-14) TSEK from changes in working capital. Cash flow from investing activities amounted to -625 (-2 725) TSEK, of which -359 (-1 104) TSEK attributable to fixed assets and -266 (-1 621) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 13 359 (4 385) TSEK of which -59 (-59) TSEK attributable to amortization of long-term debt, 0 (4 619) TSEK to increased borrowings, 13 418 (75) TSEK to new share issues (issue of share warrants) and 0 (-250) TSEK to issue expenses. Total cash flow for the period July to September amounted to 8 887 (728) TSEK.

In the period January - September, cash flow from operating activities amounted to -15 135 (-1 601) TSEK, of which -2 747 (448) TSEK from changes in working capital. Cash flow from investing activities amounted to -3 174 (-7 855) TSEK, of which -1 585 (-2 781) TSEK attributable to fixed assets and -1 589 (-5 074) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 13 240 (9 537) TSEK of which -178 (-178) TSEK attributable to amortization of long-term debt, 13 418 (75) TSEK to new share

issues, 0 (-250) TSEK to direct issue costs and 0 (9 890) TSEK to increased borrowings. Total cash flow for the first nine months of 2016 amounted to -5 069 (81) TSEK.

The company's total liabilities amounted to 9 673 (7 203) TSEK on 30 September 2016, of which 4 766 (4 930) 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 September 2016 amounted to 15 876 TSEK, of which 20 642 TSEK were cash and cash equivalents. On 30 September 2015, the company had net liabilities amounting to -3 873 TSEK of which 1 057 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 40 537 (22 804) TSEK on 30 September 2016, and its equity ratio was 81 % (76 %).

Human resources

As of 30 September 2016, the company had a total number of 14 staff members, of whom 11 were employees.

As of 30 September 2015, the company had a total number of 11 staff members, of whom 3 were 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 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

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 September 2016

No significant developments have occurred since 30 September 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.

Review

This interim report has been 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

Year-end Report as of 31 December 2016	23 February 2017
Interim Report as of 31 March 2017	18 May 2017
Annual General Meeting	18 May 2017
Interim Report as of 30 June 2017	25 August 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, 25 November 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
Director of the Board

Anders Lönner
Director of the Board

Alexander Luiga
C.E.O.

For further information, please contact

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Summarized income statements, TSEK

	3 months Jul - Sep 2016	3 months Jul - Sep 2015	6 months Jan - Sep 2016	6 months Jan - Sep 2015	Full year 2015
Net sales	-	-	-	-	-
Change in inventories of products in progress, finished goods etc.	-306	-	1 328	95	1 486
Capitalized R&D expenses	-3	1 045	1 270	2 867	7 556
Other operating income	-	1	1	61	126
Total operating income	-309	1 046	2 599	3 023	9 168
Raw materials and consumables	306	-	-1 787	-	-1 486
Other external costs	-1 131	-1 669	-6 125	-4 490	-11 889
Personnel costs	-2 377	-170	-7 025	-171	-1 593
Depreciation	-1 963	-463	-5 380	-1 358	-2 929
Total operating costs	-5 165	-2 302	-20 317	-6 019	-17 897
Operating profit/loss	-5 474	-1 256	-17 718	-2 996	-8 729
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-24	-125	-51	-411	-437
Profit/loss after net financial items	-5 498	-1 381	-17 769	-3 407	-9 166
Tax	-	-	-	-	-
Net profit/loss for the period	-5 498	-1 381	-17 769	-3 407	-9 166

Summarized balance sheets, TSEK

	2016 30 Sep	2015 30 Sep	2015 31 Dec
Assets			
Intangible fixed assets	20 975	20 709	23 226
Tangible fixed assets	4 423	7 014	3 526
Total fixed assets	25 398	27 723	26 752
Products in progress/for resale	3 328	-	2 221
Current receivables	842	1 227	2 158
Cash and bank balances	20 642	1 057	25 712
Total current assets	24 812	2 284	30 091
Total assets	50 210	30 007	56 843
Equity and liabilities			
Shareholders' equity	40 537	22 804	44 888
Interest-bearing liabilities	4 766	4 930	4 877
Non-interest-bearing liabilities	4 907	2 273	7 078
Total equity and liabilities	50 210	30 007	56 843

Summarized cash flow analyses, TSEK

	3 months Jul - Sep 2016	3 months Jul - Sep 2015	6 months Jan - Sep 2016	6 months Jan - Sep 2015	Full year 2015
Cash flow from operating activities	-3 847	-932	-15 135	-1 601	-4 129
Cash flow from investing activities	-625	-2 725	-3 174	-7 855	-9 065
Cash flow from financing activities	13 359	4 385	13 240	9 537	37 930
Cash flow for the period	8 887	728	-5 069	81	24 736
<i>Cash and cash equivalents, opening balance</i>	<i>11 755</i>	<i>328</i>	<i>25 711</i>	<i>975</i>	<i>975</i>
<i>Cash and cash equivalents, closing balance</i>	<i>20 642</i>	<i>1 056</i>	<i>20 642</i>	<i>1 056</i>	<i>25 711</i>

Data per share

	3 months Jul - Sep 2016	3 months Jul - Sep 2015	9 months Jan - Sep 2016	9 months Jan - Sep 2015	Full year 2015
Earnings per share, SEK ¹⁾	-0.54	-0.47	-1.75	-1.48	-2.36
Earnings per share, SEK, diluted ²⁾	-0.54	-0.47	-1.75	-1.48	-2.36
Equity per share ¹⁾	3.78	3.47	3.78	3.47	4.46
Cash flow from operating activities per share, SEK ¹⁾	-0.37	-0.31	-1.49	-0.69	-1.06
Share price on closing day, SEK	39.10	n/a	39.10	n/a	38.20
Number of shares on balance sheet day	10 728 250	6 571 550	10 728 250	6 571 550	10 071 550
Number of shares on balance sheet day, diluted ²⁾	11 230 175	7 080 175	11 230 175	7 080 175	10 580 175
Number of shares, weighted average	10 270 032	2 967 081	10 138 438	2 308 755	3 878 232
Number of shares, weighted average, diluted ²⁾	10 778 001	3 084 402	10 646 842	2 354 011	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 September 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. The warrants have been acquired at market value by persons deemed to be essential for the continued development and success of the company. In September 2016, a total of 6 700 of the warrants issued in August 2015 were exercised, whereby TC TECH's share capital increased by SEK 536, and the number of issued shares by 6 700. As a result, a total of 501 925 warrants now remain to be exercised. In all, should all outstanding warrant commitments be fully exercised, the new shares would correspond to 4.7 % 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
1 January 2015	158	4	225	387
New share issue	320	25 755	-	26 075
Bonus issue	48	-	-48	-
Issue expenses	-	-250	-	-250
Loss for the period	-	-	-3 407	-3 407
30 September 2015	526	25 509	-3 230	22 805
New share issue	280	29 470	-	29 750
Issue expenses	-	-1 907	-	-1 907
Loss for the period	-	-	-5 760	-5 760
31 December 2015	806	53 072	-8 990	44 888
New share issues	52	13 366	-	13 418
Loss for the period	-	-	-17 769	-17 769
30 September 2016	858	66 438	-26 759	40 537

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. In the period 1 January - 30 September 2016, the company has made two new share issues: a directed issue of 650 000 shares subscribed for by Anders Lönner and Länsförsäkringar Kalmar län; and an issue of 6 700 shares prompted by the exercise of 6 700 warrants.

Key ratios

	3 months Jul - Sep 2016	3 months Jul - Sep 2015	9 months Jan - Sep 2016	9 months Jan - Sep 2015	Full year 2015
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	81 %	76 %	81 %	76 %	79 %
Liquid assets, net (TSEK)	15 876	-3 873	15 876	-3 873	19 813
Market cap, end of period, TSEK	419 475	n/a	419 475	n/a	384 733