



TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) Interim Report September 30th, 2018

- Net sales amounted to 0 (0) TSEK in the third quarter of 2018.
- Net profit/loss totalled -6 817 (-5 406) TSEK in the third quarter of 2018.
- Cash flow from operating activities was -1 789 (-2 222) TSEK in the third quarter of 2018.
- Net sales amounted to 0 (3 141) TSEK in the first nine month of 2018.
- Net profit/loss totalled -22 039 (-15 668) TSEK in the first nine month of 2018.
- Cash flow from operating activities was -12 999 (-9 974) TSEK in the period from January 1st to September 30th 2018.
- TC TECH Sweden AB (publ) has received a patent approval in Sweden for the patent application "Method and arrangement for metal processing". The approval in Sweden is the first one regarding partial hardening and extends the patent protection for the company's general technology platform. The patent will be valid until the 3rd of July 2038.
- TC TECH Sweden AB (publ) announces that the company is delivering an upgraded production system for volume production of LGPs for displays to a Taiwanese customer after successfully completed tests in the company's facilities in Stockholm. Delivery and installation in Taiwan occurred during July. Production tests are in progress for final approval.
- TC TECH has received funding of 9 MSEK from the company's main shareholder

Developments after September 30th 2018

- TC TECH Sweden AB (publ) announces that the company has received final approval of the production system for high-volume manufacturing of High Performance LGPs for LCD displays that was delivered to a customer in Taiwan in July.
- TC TECH Sweden AB (publ) announces that the company has signed an agreement with a customer in Taiwan to deliver a second TCP-150 system, including Roll-to-Sheet (RtS) functionality, for production of High Performance LGPs used in LCD displays. The delivery is expected to begin in December 2018 and will be visible in the interim report for Q1 2019, at the latest.
- TC TECH Sweden AB (publ) announces that the company has received a letter of intent (LOI) from a Chinese manufacturer of premium quality LGPs for LCD displays to order a TCP 150 system with roll-to-sheet feeding (RtS) before the end of the year.

Comments from Alexander Luiga, C.E.O.

TC TECH's business strength lies in the company's unique technology for the rapid heating and cooling of substrates, for applications such as replication of nano patterns on Light Guide Plates (LGPs).

During the third quarter of the year we could finally announce the start of the delivery of the first upgraded TCP-150 system for volume manufacturing of LGPs. Shortly after the end of the period we then obtained final customer approval, and the system is now used commercially for LGP manufacturing. This means that the extensive and time-consuming testing and optimisation process that the product has undergone now starts to yield results. Simultaneously, we embark upon a new and more expansive phase in TC TECH's history.

The overall market interest is stronger now that we have a customer approved product, and we are also in a better position to convert our relations with potential customers to confirmed orders. We are now trying to use this potential in the best way possible, and we have tested our TCP-150 system with specially made matrices together with both LCD display manufacturers and biotechnology companies in our facilities in Stockholm during the last few months.

We are presently mainly focused on companies in the LCD display manufacturing sector, where the companies have to renew their offerings to maintain their market leading position against the competing OLED technology. Our target is to reach a position as a prominent supplier of production systems for LGPs, and during the autumn we announced a follow-up order from our customer in Taiwan as well as a letter of intent from a new customer in China to purchase one system before the end of the year.

To optimise our business, and meet our customers' expectations, we will also focus on achieving production improvements, reduced production costs and shorter delivery lead times. Additionally, we are evaluating new application areas where our system has important competitive advantages and can be used right away without major modifications. This includes the biotechnology sector as mentioned above. Our target for this segment is to receive the first confirmed order in 2019.

TC TECH has taken important steps forward in the last few months, and we have now demonstrated that it is possible to turn our patented technology platform into an attractive product that is used commercially on a very large and global market.

After the end of the period, we announced a fully guaranteed preferential issue of 30 MSEK, with an overallocation option of 10 MSEK, to finance our aggressive strategy. The fact that the rights issue is fully guaranteed, with major shareholders and leading executives responsible for 63,3%, clearly shows that there is strong support for the company and its strategy going forward.

After our strong progression during the autumn, I look forward to the rest of 2018 and 2019 with great optimism. We will now continue to build a strong, Swedish industrial company with strong earnings based on our innovative and environmentally friendly technology platform.

Spånga in November 2018

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 2018

Net sales amounted to 0 (0) TSEK in the third quarter of 2018. Operating loss totalled -6 780 (-5 383) TSEK, net financial items -37 (-23) TSEK, and net loss -6 817 (-5 406) TSEK.

January - September 2018

Net sales amounted to 0 (3 141) TSEK in the first nine months of 2018. Operating loss totalled -21 933 (-15 600) TSEK, net financial items -106 (-68) TSEK, and net loss -22 039 (-15 668) TSEK.

Financial position

In the third quarter of the year, cash flow from operating activities amounted to -1 789 (-2 222) TSEK, of which 2 481 (1 300) TSEK from changes in working capital. Cash flow from investing activities amounted to -2 458 (-1 726) TSEK, of which -954 (-680) TSEK attributable to fixed assets and -1 504 (-1 046) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 0 (94) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 0 (94) TSEK to directed equity issue. Total cash flow for the period July to September amounted to -4 247 (-3 854) TSEK.

In the period January - September, cash flow from operating activities amounted to -12 999 (-9 974) TSEK, of which 1 807 (215) TSEK from changes in working capital. Cash flow from investing activities amounted to -9 542 (-3 908) TSEK, of which -3 319 (-1 880) TSEK attributable to fixed assets and -6 223 (-2 028) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totaled 13 304 (19 684) TSEK of which 0 (-40) TSEK attributable to amortization of long-term debt and 13 304 (19 724) TSEK to directed equity issue. Total cash flow for the first six months of 2018 amounted to -9 236 (5 802) TSEK.

The company's total liabilities amounted to 13 330 (9 292) TSEK on September 30th 2018, of which 7 694 (4 642) 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 September 30th 2018 amounted to -4 137 TSEK, of which 2 354 TSEK were cash and cash equivalents. On September 30th 2017, the company had net liquid assets amounting to 15 960 TSEK of which 20 603 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 29 862 (39 687) TSEK on September 30th 2018, and its equity ratio was 63% (81%).

Human resources

As of September 30th 2018, the company had a total number of 15 staff members, of whom 13 were employees.

As of September 30th 2017, the company had a total number of 15 staff members, of whom 12 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 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 September 30th 2018

No significant circumstances have occurred since September 30th, beside what has already been reported on page 1.

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 Stockholm, at Domnarvsgatan 4, SE-163 53 SPÅNGA. Where the company also has its operations (mainly R&D).

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

Financial calendar

Extraordinary General Meeting	November 16 th 2018
Year-end Report as of December 31 st 2018	February 21 st 2019
Interim Report as of March 31 st 2019	April 25 th 2019
Annual Report	April 25 th 2019
Annual General Meeting	May 14 th 2019
Interim Report as of June 30 th 2019	August 15 th 2019

This interim report, other interim reports published since TC TECH's listing in November 2015 and the summarized financial statement as of December 31st 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.

Stockholm, November 6th 2018

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 2018	3 months Jul - Sep 2017	9 months Jan - Sep 2018	9 months Jan - Sep 2017	Full Year 2017
Net sales	-	-	-	3 141	3 141
Change in inventories of products in progress, finished goods etc.	340	683	1 996	853	-970
Capitalized R&D expenses	1 417	945	5 742	1 663	3 922
Other operating income	111	26	148	26	26
Total operating income	1 868	1 654	7 886	5 683	6 119
Raw materials and consumables	-347	-685	-2 033	-2 474	-423
Other external costs	-2 994	-2 099	-11 974	-5 793	-11 655
Personnel costs	-2 760	-2 369	-8 572	-7 536	-10 150
Depreciation	-2 547	-1 884	-7 240	-5 480	-7 542
Total operating costs	-8 648	-7 037	-29 819	-21 283	-29 770
Operating profit/loss	-6 780	-5 383	-21 933	-15 600	-23 651
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-37	-23	-106	-68	-133
Profit/loss after net financial items	-6 817	-5 406	-22 039	-15 668	-23 784
Tax	-	-	-	-	-
Net profit/loss for the period	-6 817	-5 406	-22 039	-15 668	-23 784

Summarized balance sheets, TSEK

	2018 Sep 30	2017 Sep 30	2017 Dec 31
Assets			
Intangible fixed assets	21 029	19 145	20 152
Tangible fixed assets	8 409	5 324	6 977
Total fixed assets	29 438	24 469	27 129
Products in progress/for resale	3 223	2 820	1 227
Current receivables	1 360	1 087	1 881
Cash and bank balances	2 354	20 603	11 590
Total current assets	6 937	24 510	14 698
Total assets	36 375	48 979	41 827
Equity and liabilities			
Shareholders' equity	23 045	39 687	31 780
Interest-bearing liabilities	7 694	4 642	4 600
Non-interest-bearing liabilities	5 636	4 650	5 447
Total equity and liabilities	36 375	48 979	41 827

Summarized cash flow analyses, TSEK

	3 months Jul - Sep 2018	3 months Jul - Sep 2017	9 months Jan - Sep 2018	9 months Jan - Sep 2017	Full Year 2017
Cash flow from operating activities	-1 789	-2 222	-12 999	-9 974	-16 182
Cash flow from investing activities	-2 458	-1 726	-9 541	-3 908	-7 923
Cash flow from financing activities	-	94	13 304	19 684	20 894
Cash flow for the period	-4 247	-3 854	-9 236	5 802	-3 211
<i>Cash and cash equivalents, opening balance</i>	<i>6 601</i>	<i>24 457</i>	<i>11 590</i>	<i>14 801</i>	<i>14 801</i>
<i>Cash and cash equivalents, closing balance</i>	<i>2 354</i>	<i>20 603</i>	<i>2 354</i>	<i>20 603</i>	<i>11 590</i>

Data per share

	3 months Jul - Sep 2018	3 months Jul - Sep 2017	9 months Jan - Sep 2018	9 months Jan - Sep 2017	Full Year 2017
Earnings per share, SEK ¹⁾	-0,53	-0,47	-1,81	-1,42	-2,12
Earnings per share, SEK, diluted ²⁾	-0,53	-0,47	-1,81	-1,42	-2,12
Equity per share ¹⁾	1,79	3,59	1,79	3,59	2,84
Cash flow from operating activities per share, SEK ¹⁾	-0,14	-0,19	-1,07	-0,90	-1,44
Share price on closing day, SEK	11,70	19,00	11,70	19,00	16,50
Number of shares on balance sheet day	12 856 083	11 623 283	12 856 083	11 623 283	11 638 283
Number of shares on balance sheet day, diluted ²⁾	13 281 308	12 063 508	13 281 308	12 063 508	12 063 508
Number of shares, weighted average	12 856 083	11 618 185	12 186 962	11 067 105	11 208 361
Number of shares, weighted average, diluted ²⁾	13 281 308	11 783 661	12 612 187	11 523 215	11 659 399

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 September 30th 2018, the company had one warrant commitment in force. 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 2017, a total of 66 700 of these warrants were exercised. Whereby the share capital increased by 5 336 SEK, and the number of issued shares by 66 700. Thereby, a total of 425 225 warrants now remain to be exercised. In all, should all outstanding warrant commitments be fully exercised, the new shares would correspond to 3.2 % 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
January 1 2017	3 485	66 578	-34 432	35 631
New share issues	71	20 653	-	20 724
Issue expenses	-	-1 000	-	-1 000
Transfer to development fund	1 155	-	-1 155	-
Loss for the period	-	-	-15 668	-15 668
September 30 2017	4 711	86 231	-51 255	39 687
New share issues	1	209	-	210
Transfer to development fund	1 960	-	-1 960	-
Loss for the period	-	-	-8 117	-8 117
December 31 2017	6 672	86 440	-61 332	31 780
New share issues	97	13 907	-	14 004
Issue expenses	-	-700	-	-700
Transfer to development fund	4 211	-	-4 211	-
Loss for the period	-	-	-22 039	-22 039
June 30 2018	10 980	99 647	-87 582	23 045

In the period 1 January – 31 December 2017, the company made four new share issues: one directed issue of 833 333 shares, and three issues totalling 66 700 shares prompted by the exercise of 66 700 warrants.

During the first quarter of the year 2018, the company has made no new share issues. In the second quarter of 2018 a directed equity issue of 1 217 800 shares was made. During the third quarter of the year 2018, the company has made no new share issues.

Key ratios

	3 months Jul - Sep 2018	3 months Jul - Sep 2017	9 months Jan - Sep 2018	9 months Jan - Sep 2017	Full Year 2017
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	63 %	81 %	63 %	81 %	76 %
Liquid assets, net (TSEK)	-4 137	15 960	-4 137	15 960	6 990
Market cap, at end of period, TSEK	150 416	220 842	150 416	220 842	192 032