



TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) Interim report March 31st, 2019

- Net sales amounted to 864 (0) TSEK in the first quarter of 2019.
- Net profit/loss totalled -8 534 (-7 665) TSEK in the first quarter of 2019.
- Cash flow from operating activities was -6 676 (-5 045) TSEK in the first quarter of 2019.
- TC TECH Sweden AB (publ) has received an order for three production systems for volume manufacturing of high-performing LGPs to an existing customer in Taiwan. The customer is an LGP manufacturer in the premium segment and delivers components to LCD displays in sizes suitable for mobile phones, tablets and laptops.

Developments after March 31st, 2019

- TC TECH Sweden AB (publ) announces that the company has received an order for one production system for high-performing LGPs for LCD displays from a leading LGP manufacturer based in Taiwan. The customer delivers LGPs for laptops and tablets from globally recognized brands.

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).

In the first quarter of 2019, TC TECH continued its marketing and sales activities with a strong focus on companies in the LCD display manufacturing sector.

The first order in 2019 was received already on January 2, when an existing customer in Taiwan ordered three additional production systems for manufacturing high-performance LGPs with roll-to-sheet feeding. This is our largest order to date, and it is inspiring to have a customer that is starting to build up a manufacturing capacity with our technology.

The order also shows that TC TECH is establishing itself as a commercial company with a product that is performing well over time in demanding industrial environments.

All three systems will be delivered in 2019, and during the delivery period we will begin to benefit from the ongoing process of strengthening our own production and delivery chain.

When a new technology is established on the market, it usually begins with a few early adopters that are able to benefit from being the first to utilise its advantages. When the technology performs well and becomes truly competitive, more and more companies will follow, using the technology on a larger scale and in more advanced ways.

TC TECH took a further important step in this direction shortly after the end of the period. We received an order for one production system from a leading Asian manufacturer of LGPs used in laptops and tablets from globally known premium manufacturers. Our production systems have previously mostly been utilised to manufacture LGPs for LCD displays used in mobile phones, but now we have a commercial relation with a leading company in another key segment for our technology, as it is perfectly suited for slightly larger displays. These displays consume more energy and differences in display quality becomes more visible, while the manufacturers constantly strive to design the thinnest and lightest products on the market. And, which might be the most important factor, buyers of premium products attach great importance to these features and can afford to pay for them.

After a positive start of the year, I look forward to continuing to lead TC TECH on our path where we are broadening the company's customer base and securing more orders, while at the same time continuing to improve the company's technology and offerings. Our current main focus is to reach profitability, and we continue to prioritize the LGP market. We are also involved in discussions and conducting tests for potential customers in the Biotech segment.

Spånga in April 2019

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

January - March 2019

Net sales amounted to 864 (0) TSEK in the first quarter of 2019. Operating loss totalled -8 505 (-7 637) TSEK, net financial items -29 (-28) TSEK, and net loss -8 534 (-7 665) TSEK.

Financial position

In the first quarter of the year, cash flow from operating activities amounted to -6 676 (-5 045) TSEK, of which -624 (374) TSEK from changes in working capital. Cash flow from investing activities amounted to -1 732 (-3 295) TSEK, of which -844 (-798) TSEK attributable to fixed assets and -888 (-2 496) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled -1 452 (0) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 0 (0) TSEK to directed equity issue. Total cash flow for the period January to March amounted to -9 861 (-8 340) TSEK.

The company's total liabilities amounted to 10 524 (11 062) TSEK on March 31st 2019, of which 4 600 (4 600) 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 March 31st 2019 amounted to 20 173 TSEK, of which 24 773 TSEK were cash and cash equivalents. On March 31st 2018, the company had net liquid assets amounting to -1 379 TSEK of which 3 250 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 47 234 (24 115) TSEK on March 31st 2019, and its equity ratio was 82% (69%).

Human resources

As of March 31st 2019, the company had a total number of 15 staff members, of whom 13 were employees. As of March 31st 2018, 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 March 31st 2019

No significant circumstances have occurred since March 31st, 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 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 September 30th 2019 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 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 Arctic Securities as its Certified Adviser.

Financial calendar

Annual General Meeting	May 9 th 2019
Interim Report as of June 30 th 2019	August 15 th 2019
Interim Report as of September 30 th 2019	October 25 th 2019
Year-end Report as of December 31 st 2019	February 21 st 2020

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.

The AGM will be held in Karlshamn on May 9th 2019, at 16:30 hours, address is NetPorts conference room Amazona, Biblioteksgatan 4, 374 35 Karlshamn, Sweden. No dividend payment will be proposed by the board of directors.

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, April 24th 2019

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

Alexander Luiga
C.E.O.

For further information, please contact
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Summarized income statements, TSEK

	3 months Jan - Mar 2019	3 months Jan - Mar 2018	Full Year 2018
Net sales	864	-	48
Change in inventories of products in progress, finished goods etc.	536	503	3 929
Capitalized R&D expenses	806	2 275	7 519
Other operating income	106	12	147
Total operating income	2 312	2 790	11 643
Raw materials and consumables	-2 787	-503	-6 933
Other external costs	-2 301	-4 874	-15 613
Personnel costs	-3 248	-2 797	-11 850
Depreciation	-2 481	-2 253	-9 403
Total operating costs	-10 817	-10 427	-43 799
Operating profit/loss	-8 505	-7 637	-32 156
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-29	-28	-209
Profit/loss after net financial items	-8 534	-7 665	-32 365
Tax	-	-	-
Net profit/loss for the period	-8 534	-7 665	-32 365

Summarized balance sheets, TSEK

	2019 March 31	2018 March 31	2018 Dec 31
Assets			
Intangible fixed assets	20 007	20 969	21 081
Tangible fixed assets	5 241	7 209	4 915
Total fixed assets	25 248	28 178	25 996
Products in progress/for resale	5 692	1 730	5 157
Current receivables	2 045	2 018	2 070
Cash and bank balances	24 773	3 250	34 634
Total current assets	32 510	6 998	41 861
Total assets	57 758	35 176	67 857
Equity and liabilities			
Shareholders' equity	47 234	24 115	55 768
Interest-bearing liabilities	4 600	4 628	4 600
Non-interest-bearing liabilities	5 924	6 433	7 489
Total equity and liabilities	57 758	35 176	67 857

Summarized cash flow analyses, TSEK

	3 months Jan - Mar 2019	3 months Jan - Mar 2018	Full Year 2018
Cash flow from operating activities	-6 676	-5 045	-26 498
Cash flow from investing activities	-1 732	-3 295	-8 263
Cash flow from financing activities	-1 452	-	57 805
Cash flow for the period	9 861	-8 340	23 044
<i>Cash and cash equivalents, opening balance</i>	<i>34 634</i>	<i>11 590</i>	<i>11 590</i>
<i>Cash and cash equivalents, closing balance</i>	<i>24 773</i>	<i>3 250</i>	<i>34 634</i>

Data per share

	3 months Jan - Mar 2019	3 months Jan - Mar 2018	Full Year 2018
Earnings per share, SEK ¹⁾	-0,53	-0,66	-2,62
Earnings per share, SEK, diluted ²⁾	-0,53	-0,66	-2,62
Equity per share ¹⁾	2,93	2,07	4,34
Cash flow from operating activities per share, SEK ¹⁾	-0,42	-0,43	-2,03
Share price on closing day, SEK	17,65	14,45	22,00
Number of shares on balance sheet day	16 095 347	11 638 283	12 856 083
Number of shares on balance sheet day, diluted ²⁾	16 095 347	12 063 508	13 281 308
Number of shares, weighted average	15 961 933	11 638 283	12 355 617
Number of shares, weighted average, diluted ²⁾	15 961 933	12 063 508	12 780 842

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 December 31st 2018, the company's warrant commitment expired. 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. During the final quarter of 2018, a total of 381 584 of these warrants were exercised, whereby TC TECH's share capital increased by SEK 30 527, and the number of issued shares by 381 584. These warrants were exercised, converted to new shares and registered at Bolagsverket (Swedish Companies Registration Office), January 10th 2019. Since the company's warrant commitment expired at year end, no warrants remain to be exercised.

Changes in equity, TSEK

	Share capital	Share premium reserve	Retained earnings - P/L for the period	Total equity
January 1 2018	6 672	86 440	-61 332	31 780
Transfer to development fund	1 863	-	-1 863	-
Loss for the period	-	-	-7 665	-7 665
March 31 2018	8 535	86 440	-70 860	24 115
New share issues*	356	58 724	-	59 080
Issue expenses	-	-2 726	-	-2 726
Transfer to development fund	3 430	-	-3 430	-
Loss for the period	-	-	-24 700	-24 700
December 31 2018	12 322	142 437	-98 991	55 768
Transfer to development fund	64	-	-64	-
Loss for the period	-	-	-8 534	-8 534
March 31 2019	12 386	142 437	-107 589	47 234

*As per December 31st 2018, ongoing new issues and unregistered share capital. These new issues and warrants were exercised, converted to new shares and registered at Bolagsverket (Swedish Companies Registration Office), January 10th 2019.

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. During the fourth quarter of the year 2018, the company made three new share issues: one rights issue of 2 142 680 shares, one over-subscription issue 715 000 shares and five issues totalling 381 584 shares prompted by the exercise of 381 584 warrants. During the first quarter of the year 2019, the company has made no new share issues.

Key ratios

	3 months Jan - Mar 2019	3 months Jan - Mar 2018	Full Year 2018
Operating margin, %	Neg	Neg	Neg
Equity/assets ratio, %	82 %	69 %	82 %
Liquid assets, net (TSEK)	20 173	-1 379	30 034
Market cap, at end of period, TSEK	284 083	168 173	282 834