



# TC TECH

THERMAL CYCLIC TECHNOLOGIES  
OF SWEDEN

## TC TECH Sweden AB (publ) Interim report June 30<sup>th</sup> 2019

- Net sales amounted to 4 254 (0) TSEK in the second quarter of 2019.
- Net profit/loss totalled -6 838 (-7 557) TSEK in the second quarter of 2019.
- Cash flow from operating activities was -9 270 (-6 164) TSEK in the second quarter of 2019.
- Net sales amounted to 5 118 (0) TSEK in the first half of 2019.
- Net profit/loss totalled -15 372 (-15 222) TSEK in the first half of 2019.
- Cash flow from operating activities was -15 947 (-11 210) TSEK in the period from January 1<sup>st</sup> to June 30<sup>th</sup> 2019.
- TC TECH Sweden AB (publ) announced 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.

### **Developments after June 30<sup>th</sup>, 2019**

TC TECH Sweden AB (publ) announced that the company has received final approval of a production system for high-performing LGPs used in LCD displays from a Taiwan-based customer. The system has been delivered and installed at the customer's facilities during the summer.

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

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*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 second quarter of 2019, TC TECH saw increased revenues compared to the previous quarter. This positive development is a direct result of orders received in the latter part of 2018 and the beginning of 2019, providing further proof that we are on the right track towards gaining real market traction with our technology for manufacturing high-performing LGPs.

Our efforts to streamline the entire process from purchasing components to manufacturing and delivery are also starting to pay off, and we expect to gradually achieve shorter delivery times as well as higher sales margins. The negative cash flow for the quarter is primarily due to an increased inventory for upcoming deliveries and increased customer receivables.

In early April, we presented TC TECH's first order from a customer that primarily focuses on the production of LGPs for slightly larger displays used in laptops and tablets, and this system was delivered and installed in July. The system was recently implemented with final approval received from the customer. This customer, based in Taiwan, has strong relationships with premium manufacturers of computers and tablets as well as significant research and development resources. We therefore look forward, with confidence, to follow how they will make use of the benefits that our technology brings.

Based on the continuous positive response that we are now receiving from potential customers who are testing our production system, we are optimistic about being able to present additional orders during the rest of the year. We are now working intensively to take our technology from being a "promising new technology" to become a standard in future generations of high-performance LCD displays, and the continued fierce competition between manufacturers speaks in our favour. The main reason that customers want to buy our system is that the market has now started to design LGP patterns that cannot be replicated to 100%, or made as thin, with other manufacturing methods.

In parallel with our intensive sales efforts, we are continuing to develop TC TECH's technology platform for further applications and materials. We have also recruited a quality manager and two system engineers to strengthen our organization.

Finally, I would like to thank all the committed shareholders who participated at the Annual General Meeting, which was held on May 9 in Karlshamn. The meeting was characterised by a strong faith in TC TECH's technology and commercial opportunities. We continue to look ahead and are excited for the remainder of the year.

Spånga in August 2019

*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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### **April - June 2019**

Net sales amounted to 4 254 (0) TSEK in the second quarter of 2019. Operating loss totalled -6 808 (-7 517) TSEK, net financial items -30 (-40) TSEK, and net loss -6 838 (-7 557) TSEK.

### **January - June 2019**

Net sales amounted to 5 118 (0) TSEK in the first half of 2019. Operating loss totalled -15 313 (-15 153) TSEK, net financial items -59 (-69) TSEK, and net loss -15 372 (-15 222) TSEK.

### **Financial position**

In the second quarter of the year, cash flow from operating activities amounted to -9 270 (-6 164) TSEK, of which -4 944 (-1 048) TSEK from changes in working capital. Cash flow from investing activities amounted to -706 (-3 789) TSEK, of which -45 (-1 566) TSEK attributable to fixed assets and -661 (-2 223) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 0 (13 304) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 0 (13 304) TSEK to directed equity issue. Total cash flow for the period January to March amounted to -9 976 (3 351) TSEK.

In the first half of the year, cash flow from operating activities amounted to -15 947 (-11 210) TSEK, of which -5 568 (-673) TSEK from changes in working capital. Cash flow from investing activities amounted to -2 438 (-7 083) TSEK, of which -890 (-2 365) TSEK attributable to fixed assets and -1 548 (-4 719) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled -1 452 (13 304) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 1 452 (13 304) TSEK to directed equity issue. Total cash flow for the first six months of 2019 amounted to -19 837 (-4 989) TSEK.

The company's total liabilities amounted to 15 990 (11 285) TSEK on June 30<sup>th</sup> 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 June 30<sup>th</sup> 2019 amounted to 10 140 TSEK, of which 14 797 TSEK were cash and cash equivalents. On June 30<sup>th</sup> 2018, the company had net liquid assets amounting to 1 944 TSEK of which 6 601 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 40 396 (29 862) TSEK on June 30<sup>th</sup> 2019, and its equity ratio was 72% (73%).

## Human resources

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As of June 30<sup>th</sup> 2019, the company had a total number of 17 staff members, of whom 15 were employees. As of June 30<sup>th</sup> 2018, the company had a total number of 14 staff members, of whom 13 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 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

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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.
- Our technology will be gradually implemented in new 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 June 30<sup>th</sup> 2019**

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No significant circumstances have occurred since June 30<sup>th</sup>, beside what has already been reported on page 1.

## **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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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 30<sup>th</sup> 2019 will be reviewed by the company's auditors.

## **Corporate information**

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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**

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Interim Report as of September 30 <sup>th</sup> 2019	October 25 <sup>th</sup> 2019
Year-end Report as of December 31 <sup>st</sup> 2019	February 21 <sup>st</sup> 2020
Interim Report as of March 31 <sup>st</sup> 2019	April 30 <sup>th</sup> 2020

This interim report, other interim reports published since TC TECH's listing in November 2015 and the summarized financial statement as of December 31<sup>st</sup> 2015 are available on TC TECH's website [www.tctech.se](http://www.tctech.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 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, August 14<sup>th</sup> 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.*

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### Summarized income statements, TSEK

	3 months Apr - Jun 2019	3 months Apr - Jun 2018	6 months Jan - Jun 2019	6 months Jan - Jun 2018	Full Year 2018
Net sales	4 254	-	5 118	-	48
Change in inventories of products in progress, finished goods etc.	3 219	1 153	3 754	1 656	3 929
Capitalized R&D expenses	420	2 050	1 226	4 325	7 519
Other operating income	31	24	138	37	147
<b>Total operating income</b>	<b>7 924</b>	<b>3 227</b>	<b>10 236</b>	<b>6 018</b>	<b>11 643</b>
Raw materials and consumables	-5 562	-1 183	-8 349	-1 687	-6 933
Other external costs	-2 901	-4 106	-5 201	-8 980	-15 613
Personnel costs	-3 757	-3 015	-7 005	-5 811	-11 850
Depreciation	-2 512	-2 440	-4 994	-4 693	-9 403
<b>Total operating costs</b>	<b>-14 732</b>	<b>-10 744</b>	<b>-25 549</b>	<b>-21 171</b>	<b>-43 799</b>
<b>Operating profit/loss</b>	<b>-6 808</b>	<b>-7 517</b>	<b>-15 313</b>	<b>-15 153</b>	<b>-32 156</b>
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-30	-40	-59	-69	-209
<b>Profit/loss after net financial items</b>	<b>-6 838</b>	<b>-7 557</b>	<b>-15 372</b>	<b>-15 222</b>	<b>-32 365</b>
Tax	-	-	-	-	-
<b>Net profit/loss for the period</b>	<b>-6 838</b>	<b>-7 557</b>	<b>-15 372</b>	<b>-15 222</b>	<b>-32 365</b>

### Summarized balance sheets, TSEK

	2019 June 30	2018 June 30	2018 Dec 31
<b>Assets</b>			
Intangible fixed assets	18 673	21 397	21 081
Tangible fixed assets	4 768	8 130	4 915
<b>Total fixed assets</b>	<b>23 441</b>	<b>29 527</b>	<b>25 996</b>
Products in progress/for resale	8 909	2 883	5 157
Current receivables	9 239	2 136	2 070
Cash and bank balances	14 797	6 601	34 634
<b>Total current assets</b>	<b>32 945</b>	<b>11 620</b>	<b>41 861</b>
<b>Total assets</b>	<b>56 386</b>	<b>41 147</b>	<b>67 857</b>
<b>Equity and liabilities</b>			
Shareholders' equity	40 396	29 862	55 768
Interest-bearing liabilities	4 600	4 658	4 600

Non-interest-bearing liabilities	11 390	6 627	7 489
<b>Total equity and liabilities</b>	<b>56 386</b>	<b>41 147</b>	<b>67 857</b>

## Summarized cash flow analyses, TSEK

	<b>3 months Apr - Jun 2019</b>	<b>3 months Apr - Jun 2018</b>	<b>6 months Jan - Jun 2019</b>	<b>6 months Jan - Jun 2018</b>	<b>Full Year 2018</b>
Cash flow from operating activities	-9 270	-6 164	-15 947	-11 210	-26 498
Cash flow from investing activities	-706	-3 789	-2 438	-7 083	-8 263
Cash flow from financing activities	-	13 304	-1 452	13 304	57 805
Cash flow for the period	9 976	3 351	-19 837	-4 989	23 044
<i>Cash and cash equivalents, opening balance</i>	<i>24 773</i>	<i>3 250</i>	<i>34 634</i>	<i>11 590</i>	<i>11 590</i>
<i>Cash and cash equivalents, closing balance</i>	<i>14 797</i>	<i>6 601</i>	<i>14 797</i>	<i>6 601</i>	<i>34 634</i>

## Data per share

	<b>3 months Apr - Jun 2019</b>	<b>3 months Apr - Jun 2018</b>	<b>6 months Jan - Jun 2019</b>	<b>6 months Jan - Jun 2018</b>	<b>Full Year 2018</b>
Earnings per share, SEK <sup>1)</sup>	-0,42	-0,63	-0,96	-1,28	-2,62
Earnings per share, SEK, diluted <sup>2)</sup>	-0,42	-0,63	-0,96	-1,28	-2,62
Equity per share <sup>1)</sup>	2,51	2,48	2,51	2,52	4,34
Cash flow from operating activities per share, SEK <sup>1)</sup>	-0,58	-0,51	-0,99	-0,95	-2,03
Share price on closing day, SEK	16,65	12,85	16,65	12,85	22,00
Number of shares on balance sheet day	16 095 347	12 856 083	16 095 347	12 856 083	12 856 083
Number of shares on balance sheet day, diluted <sup>2)</sup>	16 095 347	13 281 308	16 095 347	13 281 308	13 281 308
Number of shares, weighted average	16 029 008	12 053 138	16 029 008	11 846 856	12 355 617
Number of shares, weighted average, diluted <sup>2)</sup>	16 029 008	12 478 363	16 029 008	12 272 081	12 780 842

<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 December 31<sup>st</sup> 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 10<sup>th</sup> 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
<b>January 1 2018</b>	<b>6 672</b>	<b>86 440</b>	<b>-61 332</b>	<b>31 780</b>
New share issues	97	13 907	-	14 004
Issue expenses	-	-700	-	-700
Transfer to development fund	3 390	-	-3 390	-
Loss for the period	-	-	-15 222	-15 222
<b>June 30 2018</b>	<b>10 159</b>	<b>99 647</b>	<b>-79 944</b>	<b>29 862</b>
New share issues*	259	44 816	-	45 075
Issue expenses	-	-2 026	-	-2 026
Transfer to development fund	1 904	-	-1 904	-
Loss for the period	-	-	-17 143	-17 143
<b>December 31 2018</b>	<b>12 322</b>	<b>142 437</b>	<b>-98 991</b>	<b>55 768</b>
Transfer to development fund	-286	-	286	-
Loss for the period	-	-	-15 372	-15 372
<b>June 30 2019</b>	<b>12 036</b>	<b>142 437</b>	<b>-114 077</b>	<b>40 396</b>

\*As per December 31<sup>st</sup> 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 10<sup>th</sup> 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 two quarters of the year 2019, the company has made no new share issues.

## Key ratios

	3 months Apr - Jun 2019	3 months Apr - Jun 2018	6 months Jan - Jun 2019	6 months Jan - Jun 2018	Full Year 2018
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	72 %	73 %	72 %	73 %	82 %
Liquid assets, net (TSEK)	10 140	1 944	10 140	1 944	30 034
Market cap, at end of period, TSEK	267 988	149 552	267 988	149 552	282 834