



TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) Interim report September 30th 2019

- Net sales amounted to 4 717 (0) TSEK in the third quarter of 2019.
- Net profit/loss totalled -6 261 (-6 817) TSEK in the third quarter of 2019.
- Cash flow from operating activities was -2 243 (-1 789) TSEK in the third quarter of 2019.
- Net sales amounted to 9 835 (0) TSEK in the first nine month of 2019.
- Net profit/loss totalled -21 633 (-22 039) TSEK in the first nine month of 2019.
- Cash flow from operating activities was -18 190 (-12 999) TSEK in the period from January 1st to September 30th 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.
- TC TECH Sweden AB (publ) announced that the company has received an order for one production system used for manufacturing of high-performing LGPs for LCD displays from Nicrotek Co., Ltd, a Chinese LGP manufacturer who is a part of the SVG Optronics Tech Group, and in accordance with the letter of intent previously communicated. The order was received through their Chinese distributor QJ-TEC.

Developments after September 30th, 2019

- TC TECH Sweden AB (publ) has in October made a directed equity issue of 1 412 700 shares, based on the authorization granted by the AGM held on May 9th 2019. As a result of this resolution, the company's share capital increased by SEK 113 016 and liquid funds by around SEK 19 million.

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).

The most important event for TC TECH during the third quarter was that we were able to secure a first order from a Chinese LGP manufacturer in late September. The order followed a previously received letter of intent, and I am excited that we were able to turn it into a concrete order together with our customer Nicrotek Co., Ltd. China is one of the most important markets for the design and manufacturing of LGPs, LCD displays, and the final products featuring these displays. Nicrotek has an exciting position as a provider of high-performing LGPs to large and well-known producers of tablets and laptops in the premium segment. We are thus looking forward to delivering this system during the fourth quarter, and then to assist the customer to achieve an effective implementation of the system into their manufacturing process.

When we have this first system in China in place, our production system will be used in two of the most important Asian markets for the manufacturing of LGPs to LCD displays. This means that we are taking another step forward towards our goal to establish our technology as a future standard.

During the quarter, we also received final approval of a production system that was delivered to an LGP manufacturer in Taiwan in the middle of August. As our new customer in China, this customer produces LGPs to tablets and laptops in the premium segment. This is where we see perhaps the strongest potential for our technology at present. In addition to receiving final approval, this successful implementation proves that we now have a more effective and robust delivery chain in place. This is important, not in the least to show new customers that we have the capacity and ability to also deliver larger follow-up orders for several systems in a reliable manner.

As our system introduces new technology in the market, our customers use an implementation strategy where they initially buy one system for test runs and adaptation to other parts of the final product. Thereafter, the opportunity arises for TC TECH to deliver several additional systems to each customer for serial production use.

At the site of one of our customers in Taiwan, who have completed their testing phase and now has a number of systems in production, requests have been put forward that we postpone the remaining two systems in the agreement. As the number of systems to be delivered increases, this is something that will occur from time to time based on the customer's current circumstances.

In parallel with supporting our customers during their testing phases, we are continuing our comprehensive marketing activities to increase the number of customers, as this will in turn increase our possibilities to receive additional follow-up orders. As a part of our marketing efforts, we are increasing our presence on the ground in Asia. This facilitates our work, not in the least when it comes to creating and maintaining long-term customer relations. We are also noticing a general rise in awareness and knowledge of us as a company and our technology. Increasing the knowledge of our production system among important entities in Asia, especially when it comes to the concrete product advantages that our technology offers, strengthens our position in the market. In turn, this makes it easier for our customers to decide when they consider taking the step from test and adaptation phase to serial production.

Finally, I am pleased to announce that we have conducted a directed share issue now in October aimed at a number of institutional investors, including three companies in the Swedish insurance company group Länsförsäkringar. TC TECH will receive approx. 19 MSEK in cash from this transaction. This capital will be used for continued investments in marketing activities.

Spånga in October 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

July - September 2019

Net sales amounted to 4 717 (0) TSEK in the third quarter of 2019. Operating loss totalled -6 232 (-6 780) TSEK, net financial items -29 (-37) TSEK, and net loss -6 261 (-6 817) TSEK.

January - September 2019

Net sales amounted to 9 835 (0) TSEK in the first nine months of 2019. Operating loss totalled -21 545 (-21 933) TSEK, net financial items -88 (-106) TSEK, and net loss -21 633 (-22 039) TSEK.

Financial position

In the third quarter of the year, cash flow from operating activities amounted to -2 243 (-1 789) TSEK, of which 1 488 (2 481) TSEK from changes in working capital. Cash flow from investing activities amounted to -685 (-2 458) TSEK, of which -27 (-954) TSEK attributable to fixed assets and -658 (-1 504) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled -80 (0) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and -80 (0) TSEK to directed equity issue. Total cash flow for the period July to September amounted to -3 008 (-4 247) TSEK.

In the period January - September, cash flow from operating activities amounted to -18 190 (-12 999) TSEK, of which -4 080 (1 807) TSEK from changes in working capital. Cash flow from investing activities amounted to -3 124 (-9 542) TSEK, of which -917 (-3 319) TSEK attributable to fixed assets and -2 207 (-6 223) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled -1 532 (13 304) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and -1 532 (13 304) TSEK to directed equity issue. Total cash flow for the first nine months of 2019 amounted to -22 846 (-9 236) TSEK.

The company's total liabilities amounted to 14 850 (13 330) TSEK on September 30th 2019, of which 4 686 (7 694) 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 2019 amounted to 7 102 TSEK, of which 11 788 TSEK were cash and cash equivalents. On September 30th 2018, the company had net liquid assets amounting to -4 137 TSEK of which 2 354 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 34 055 (23 045) TSEK on September 30th 2019, and its equity ratio was 70% (63%).

Human resources

As of September 30th 2019, the company had a total number of 17 staff members, of whom 15 were employees.

As of September 30th 2018, the company had a total number of 15 staff members, of whom 13 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 2019

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 Arctic Securities as its Certified Adviser.

Financial calendar

Year-end Report as of December 31 st 2019	February 21 st 2020
Interim Report as of March 31 st 2019	April 30 th 2020
Annual Report	April 22 nd 2020
Annual General Meeting	May 14 th 2020
Interim Report as of June 30 th 2020	August 19 th 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.

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, October 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 Jul - Sep 2019	3 months Jul - Sep 2018	9 months Jan - Sep 2019	9 months Jan - Sep 2018	Full Year 2018
Net sales	4 717	-	9 835	-	48
Change in inventories of products in progress, finished goods etc.	-33	340	3 721	1 996	3 929
Capitalized R&D expenses	419	1 417	1 645	5 742	7 519
Other operating income	48	111	186	148	147
Total operating income	5 151	1 868	15 387	7 886	11 643
Raw materials and consumables	-3 426	-347	-11 776	-2 033	-6 933
Other external costs	-1 903	-2 994	-7 104	-11 974	-15 613
Personnel costs	-3 524	-2 760	-10 529	-8 572	-11 850
Depreciation	-2 530	-2 547	-7 523	-7 240	-9 403
Total operating costs	-11 383	-8 648	-36 932	-29 819	-43 799
Operating profit/loss	-6 232	-6 780	-21 545	-21 933	-32 156
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-29	-37	-88	-106	-209
Profit/loss after net financial items	-6 261	-6 817	-21 633	-22 039	-32 365
Tax	-	-	-	-	-
Net profit/loss for the period	-6 261	-6 817	-21 633	-22 039	-32 365

Summarized balance sheets, TSEK

	2019 Sep 30	2018 Sep 30	2018 Dec 31
Assets			
Intangible fixed assets	17 312	21 029	21 081
Tangible fixed assets	4 285	8 409	4 915
Total fixed assets	21 597	29 438	25 996
Products in progress/for resale	8 878	3 223	5 157
Current receivables	6 642	1 360	2 070
Cash and bank balances	11 788	2 354	34 634
Total current assets	27 308	6 937	41 861
Total assets	48 905	36 375	67 857
Equity and liabilities			
Share capital	1 288	1 028	1 288
Development fund	10 378	9 952	11 034
Total restricted equity	11 666	10 981	12 322
Share premium reserve	142 357	99 647	142 437
Retained earnings	-98 335	-65 543	-66 625
Profit (loss) for the period	-21 633	-22 039	-32 366
Total unrestricted equity	22 389	12 065	43 446
Total equity	34 355	23 046	55 768
Advance payments from customers	4 145	-	-
Trade accounts payable	3 047	1 332	3 547
Liabilities to associated companies	4 808	7 072	4 860
Other liabilities	698	1 900	845
Accrued expenses and prepaid income	2 152	3 026	2 837
Total current liabilities	14 850	13 330	12 089
Total equity and liabilities	48 905	36 375	67 857

Summarized cash flow analyses, TSEK

	3 months Jul - Sep 2019	3 months Jul - Sep 2018	9 months Jan - Sep 2019	9 months Jan - Sep 2018	Full Year 2018
Operating income	-6 232	-6 780	-21 545	-21 933	-32 156
Adjustments for items not included in cash flow	2 530	2 547	7 523	7 233	9 396
Interest received	-	-	-	-	2
Interest paid	-29	-37	-88	-106	-211
Cash flow from operating activities before change in working capital	-3 731	-4 270	-14 110	-14 807	-22 969
Inventory/work in progress	30	-340	-3 721	-1 996	-3 929
Accounts receivables	2 598	776	-4 572	521	-189
Accounts Payables	-1 931	-378	-500	226	1 899
Other current liabilities	791	2 423	4 713	3 056	-1 310
Cash flow from change in working capital	1 488	2 481	-4 080	1 807	-3 529
Cash flow from operating activities	-2 243	-1 789	-18 190	-12 999	-26 498
Investments in patents	-239	-87	-562	-481	-666
Investments in capitalizes development costs	-419	-1 417	-1 645	-5 742	-7 519
Investments in machinery and equipment	-27	-954	-917	-3 319	-78
Cash flow from investing activities	-685	-2 458	-3 124	-9 542	-8 263
Borrowings	-	-	-	-	-
Repayment of debt	-	-	-	-	-
New share issues and shareholders contribution	-	-	-	14 005	59 080
Issue expenses	-80	-	-1 532	-700	-1 274
Cash flow from financing activities	-80	-	-1 532	13 304	57 806
Cash flow for the period	-3 008	-4 247	-22 846	-9 236	23 044
<i>Cash and cash equivalents, opening balance</i>	<i>14 797</i>	<i>6 601</i>	<i>34 634</i>	<i>11 590</i>	<i>11 590</i>
<i>Cash and cash equivalents, closing balance</i>	<i>11 788</i>	<i>2 354</i>	<i>11 788</i>	<i>2 354</i>	<i>34 634</i>

Data per share

	3 months Jul - Sep 2019	3 months Jul - Sep 2018	9 months Jan - Sep 2019	9 months Jan - Sep 2018	Full Year 2018
Earnings per share, SEK ¹⁾	-0,39	-0,53	-1,35	-1,81	-2,62
Earnings per share, SEK, diluted ²⁾	-0,39	-0,53	-1,35	-1,81	-2,62
Equity per share ¹⁾	2,12	1,79	2,12	1,79	4,34
Cash flow from operating activities per share, SEK ¹⁾	-0,14	-0,14	-1,13	-1,07	-2,03
Share price on closing day, SEK	14,60	11,70	14,60	11,70	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 ²⁾	16 095 347	13 281 308	16 095 347	13 281 308	13 281 308
Number of shares, weighted average	16 095 347	12 856 083	16 051 364	12 186 962	12 355 617
Number of shares, weighted average, diluted ²⁾	16 095 347	13 281 308	16 051 364	12 612 187	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
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
September 30 2018	10 980	99 647	-87 582	23 045
New share issues*	259	44 816	-	45 075
Issue expenses	-	-2 026	-	-2 026
Transfer to development fund	1 083	-	-1 083	-
Loss for the period	-	-	-10 326	-10 326
December 31 2018	12 322	142 437	-98 991	55 768
Issue expenses	-	-80	-	-80
Transfer to development fund	-656	-	656	-
Loss for the period	-	-	-21 633	-21 633
September 30 2019	11 666	142 357	-119 968	34 055

*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 three quarters of the year 2019, the company has made no new share issues.

Key ratios

	3 months Jul - Sep 2019	3 months Jul - Sep 2018	9 months Jan - Sep 2019	9 months Jan - Sep 2018	Full Year 2018
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	70 %	63 %	70 %	63 %	82 %
Liquid assets, net (TSEK)	7 102	-4 137	7 102	-4 137	30 034
Market cap, at end of period, TSEK	234 992	150 416	234 992	150 416	282 834