



THERMAL CYCLIC TECHNOLOGIES
O F S W E D E N

TC TECH Sweden AB (publ)
Interim Report
September 30th, 2017

- Net sales amounted to 0 (0) TSEK in the third quarter of 2017.
- Net profit/loss totalled -5 406 (-5 498) TSEK in the third quarter of the year.
- Cash flow from operating activities was -2 222 (-3 847) TSEK in the period from July 1st to September 30th 2017.
- Net sales amounted to 3 141 (0) TSEK in the first nine month of 2017.
- Net profit/loss totalled -15 668 (-17 769) TSEK in the first nine month of 2017.
- Cash flow from operating activities was -9 974 (-15 135) TSEK in the period from January 1st to September 30th 2017.
- TC TECH's patent regarding active intermediate is now approved in China and Japan. The patent concerns the basic electromagnetism in TC TECH's technology and expand the existing patent families. The patent is regarding TC TECH's unique technology to manufacture for example ultra-thin light guide plates. With TC TECH's technology it is possible to manufacture light guide plates with a thickness down to 0.1 mm. The technology enables fabrication of double-sided nano pattern even in the thinnest light guide plates. Together with high productivity, this makes TC TECH's system unique.

Comments from Alexander Luiga, C.E.O.

The Market is opening up

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 (LGP's).

Market developments

TC TECH has developed a technology with a great potential for manufacturing plastic parts where high demands are placed on the nano-structure patterns. Our first application area is the display industry and the production of Light Guide Plates (LGP). Our technology enables the production of significantly better and more efficient LGP's, which we call High Performance LGP's. For the display industry, this means that you can take the next step in the development of LCD monitors. We have a lot of interest from the industry, but we can also see that the market has tried to utilize existing manufacturing methods as far as possible. Now however, we see that they are reaching the end of the road of what the old technology is capable of and will need our technology to take the next step. We can also see this in the form of an increasing interest in evaluating our manufacturing method. Switching to a more optically advanced nanostructure pattern also means that the manufacturers need to change the design of the LGP pattern to fit their monitors. This has not been focused upon earlier since no one has been able to produce this kind of nanostructure pattern before. This build-up of knowledge and awareness in the LGP design monitors is something that has delayed our advancement in the industry, but it is absolutely necessary, since all manufacturers want to own their own pattern. This work is progressing and the message is getting through, which of course is positive for us.

Continued adaptation to full-scale production

In parallel, when the potential customers are developing the new types of nanostructure patterns they want to use, we are refining our system. We know that high reliability and productivity requirements will be imposed, when our system is to be used 24-7 (24 hours / day, 7 days a week). With our first systems out on the market, we have received valuable feedback from the production line, leading to improvements that we implement. We also have new requests for improvements from the customer who is running our first "Roll to sheet" (Rts) automation equipment. This has led us to extend the trial period to Q1 2018, and means that together with the customer we will get the best possible solution, which makes it even further adapted for continuous mass production.

During the quarter, we have also made several other important technical advances. We have managed to produce an LGP of only 0.125 mm thickness and this is, we believe the thinnest LGP in the world. We have also continued to develop the technology and patent these solutions.

Finances

Our investments, which follow our budgeted plans, focus exclusively on the completion of production adaptation, delivery quality and market activities. Making these happen simultaneously is vital in order to generate new business without delay when the final adjustments are done.

Prospects

We have deliberately and determined chosen not to take any technical shortcuts. Everything must be absolutely perfect in order to be a "game changer". It may take us a little bit longer time but our solution has the potential to create a world standard for the production of High Performance LGP's, which is what we are aiming for. This also applies to other applications outside the LGP market.

Spånga in November 2017

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 2017

Net sales amounted to 0 (0) TSEK in the third quarter of 2017. Operating loss totalled -5 383 (-5 474) TSEK, net financial items -23 (-24) TSEK, and net loss -5 406 (-5 498) TSEK.

January - September 2017

Net sales amounted to 3 141 (0) TSEK in the first nine month 2017. Operating loss totalled -15 600 (-17 718) TSEK, net financial items -68 (-51) TSEK, and net loss -15 668 (-17 769) TSEK.

Financial position

In the third quarter of the year, cash flow from operating activities amounted to -2 222 (-3 847) TSEK, of which 1 300 (-312) TSEK from changes in working capital. Cash flow from investing activities amounted to -1 726 (-625) TSEK, of which -680 (-359) TSEK attributable to fixed assets and -1 046 (-266) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 94 (13 359) TSEK of which 0 (-59) TSEK attributable to amortization of long-term debt and 94 (13 418) TSEK to directed equity issue. Total cash flow for the period July to September amounted to -3 854 (8 887) TSEK.

In the period January - September, cash flow from operating activities amounted to -9 974 (-15 135) TSEK, of which 215 (-2 747) TSEK from changes in working capital. Cash flow from investing activities amounted to -3 908 (-3 174) TSEK, of which -1 880 (-1 585) TSEK attributable to fixed assets and -2 028 (-1 589) TSEK to IPR and capitalized expenditure for R&D.

Cash flow from financing activities totalled 19 684 (13 240) TSEK of which -40 (-178) TSEK attributable to amortization of long-term debt and 19 724 (13 418) TSEK to directed equity issue. Total cash flow for the first nine months of 2017 amounted to 5 802 (-5 069) TSEK.

The company's total liabilities amounted to 9 292 (9 673) TSEK on September 30th 2017, of which 4 642 (4 766) 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 2017 amounted to 15 960 TSEK, of which 20 603 TSEK were cash and cash equivalents. On September 30th 2016, the company had net liquid assets amounting to 15 876 TSEK of which 20 642 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 39 687 (40 537) TSEK on September 30th 2017, and its equity ratio was 81 %.

Human resources

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

As of September 30th 2016, the company had a total number of 14 staff members, of whom 11 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 2017

No significant developments have occurred since September 30th 2017.

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).

Tel. +46 (0)8 – 788 08 00

E-mail: info@tctech.se
www.tctech.se

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

Financial calendar

Year-end Report as of December 31th 2017 February 22nd 2018

Annual Report April 25th 2018

Interim Report as of March 31th 2018 April 25th 2018

Annual General Meeting May 16th 2018

Interim Report as of June 30th 2018 August 28th 2018

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.tctech.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 22nd 2017

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
Alexander Luiga, C.E.O., TC TECH Sweden AB, tel +46 (0)8 – 788 08 01, alexander.luiga@tctech.se

Summarized income statements, TSEK

	3 months Jul - Sep 2017	3 months Jul - Sep 2016	9 months Jan - Sep 2017	9 months Jan - Sep 2016	Full year 2016
Net sales	-	-	3 141	-	-
Change in inventories of products in progress, finished goods etc.	683	-306	853	1 328	1 574
Capitalized R&D expenses	945	-3	1 663	1 270	2 854
Other operating income	26	-	26	1	1
Total operating income	1 654	-309	5 683	2 599	4 429
Raw materials and consumables	-685	306	-2 474	-1 787	-2 095
Other external costs	-2 099	-1 131	-5 793	-6 125	-8 334
Personnel costs	-2 369	-2 377	-7 536	-7 025	-9 677
Depreciation	-1 884	-1 963	-5 480	-5 380	-7 069
Total operating costs	-7 037	-5 165	-21 283	-20 317	-27 175
Operating profit/loss	-5 383	-5 474	-15 600	-17 718	-22 746
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-23	-24	-68	-51	-70
Profit/loss after net financial items	-5 406	-5 498	-15 668	-17 769	-22 816
Tax	-	-	-	-	-
Net profit/loss for the period	-5 406	-5 498	-15 668	-17 769	-22 816

Summarized balance sheets, TSEK

	2017 30 Sep	2016 30 Sep	2016 31 Dec
Assets			
Intangible fixed assets	19 145	20 975	21 385
Tangible fixed assets	5 324	4 423	4 655
Total fixed assets	24 469	25 398	26 040
Products in progress/for resale	2 820	3 328	3 571
Current receivables	1 087	842	924
Cash and bank balances	20 603	20 642	14 801
Total current assets	24 510	24 812	19 296
Total assets	48 979	50 210	45 336
Equity and liabilities			
Shareholders' equity	39 687	40 537	35 631
Interest-bearing liabilities	4 642	4 766	4 615
Non-interest-bearing liabilities	4 650	4 907	5 090
Total equity and liabilities	48 979	50 210	45 336

Summarized cash flow analyses, TSEK

	3 months Jul - Sep 2017	3 months Jul - Sep 2016	9 months Jan - Sep 2017	9 months Jan - Sep 2016	Full year 2016
Cash flow from operating activities	-2 222	-3 847	-9 974	-15 135	-17 945
Cash flow from investing activities	-1 726	-625	-3 908	-3 174	-6 286
Cash flow from financing activities	94	13 359	19 684	13 240	13 321
Cash flow for the period	-3 854	8 887	5 802	-5 069	-10 910
<i>Cash and cash equivalents, opening balance</i>	<i>24 457</i>	<i>11 755</i>	<i>14 801</i>	<i>25 711</i>	<i>25 711</i>
<i>Cash and cash equivalents, closing balance</i>	<i>20 603</i>	<i>20 642</i>	<i>20 603</i>	<i>20 642</i>	<i>14 801</i>

Data per share

	3 months Jul - Sep 2017	3 months Jul - Sep 2016	9 months Jan - Sep 2017	9 months Jan - Sep 2016	Full year 2016
Earnings per share, SEK ¹⁾	-0,47	-0,54	-1,42	-1,75	-2,22
Earnings per share, SEK, diluted ²⁾	-0,49	-0,54	-1,36	-1,75	-2,22
Equity per share ¹⁾	3,59	3,78	3,59	3,78	3,32
Cash flow from operating activities per share, SEK ¹⁾	-0,19	-0,37	-0,90	-1,49	-1,82
Share price on closing day, SEK	19,00	39,10	19,00	39,10	51,00
Number of shares on balance sheet day	11 623 283	10 728 250	11 623 283	10 728 250	10 738 250
Number of shares on balance sheet day, diluted ²⁾	12 063 508	11 230 175	12 063 508	11 230 175	11 230 175
Number of shares, weighted average	11 618 185	10 270 032	11 067 105	10 138 438	10 287 377
Number of shares, weighted average, diluted ²⁾	11 783 661	10 778 001	11 523 215	10 646 842	10 793 874

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 June 30th 2017, the company had one warrant commitment 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 expired on 2017-12-31, the exercise price corresponding to SEK 14 per share. These warrants were exercised in December 2016.

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 the first quarter of 2017, an additional 45 000 warrants were exercised, whereby the share capital increased by 3 600 SEK. In the third quarter of 2017, an additional 6 700 warrants were exercised, whereby the share capital increased by 536 SEK. Thereby, a total of 440 225 warrants now remain to be exercised. In all, should all outstanding warrant commitments be fully exercised, the new shares would correspond to 3.6 % 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
Januari 1 2016	806	53 072	-8 990	44 888
New share issues	52	13 366	-	13 418
Loss for the period	-	-	-17 769	-17 769
September 30 Juni 2016	806	53 072	-21 262	32 616
New share issues	1	140	-	141
Transfer to development fund	2 626	-	-2 626	-
Loss for the period	-	-	-5 047	-5 047
December 31 2016	3 485	66 578	-34 432	35 631
New share issues	71	20 653	-	20 724
Transfer to development fund	1 155	-	-1 155	-
Issue expenses		-1 000	-	-1 000
Loss for the period			-15 668	-15 668
September 30 2017	4 711	86 231	-51 255	39 687

In the period 1 January – 31 December 2016, the company made three new share issues: a directed issue of 650 000 shares subscribed for by Anders Lönner and Länsförsäkringar Kalmar län; one issue of 6 700 shares prompted by the exercise of 6 700 warrants, and in December yet another issue prompted by the exercise of 10 000 warrants.

In the first quarter of 2017, one share issue has been implemented, prompted by the exercise of 45 000 warrants. In the second quarter of 2017 a directed equity issue of 833 333 shares was made. In the third quarter of 2017, one share issue has been implemented, prompted by the exercise of 6 700 warrants.

Key ratios

	3 months Jul - Sep 2017	3 months Jul – Sep 2016	9 months Jan - Sep 2017	9 months Jan - Sep 2016	Full year 2016
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	81 %	81 %	81 %	81 %	79 %
Liquid assets, net (TSEK)	15 960	15 876	15 960	15 876	10 186
Market cap, at end of period, TSEK	220 842	419 475	220 842	419 475	547 651