



TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ)

Interim report

June 30th, 2020

- Net sales amounted to 0 (4 254) TSEK in the second quarter of 2020.
- Net profit/loss totalled -5 250 (-6 838) TSEK in the second quarter of 2020.
- Cash flow from operating activities was -2 987 (-9 270) TSEK in the second quarter of 2020.
- Net sales amounted to 105 (5 118) TSEK in the first half of 2020.
- Net profit/loss totalled -12 657 (-15 372) TSEK in the first half of 2020.
- Cash flow from operating activities was -10 328 (-15 947) TSEK in the period from January 1st to June 30th, 2020.

Developments in the second quarter of 2020

- TC TECH Sweden AB (publ) announced that the company currently has very limited possibilities to physically meet with customers and potential customers due to the Covid-19 pandemic. Instead, digital meetings are being frequently used. Testing activities for customers in Asia at TC TECH's facility in Spånga are however ongoing. Other business operations are also, for the most part, continuing as planned with the exception of the mentioned limitations regarding marketing activities.

Comments from Alexander Luiga, C.E.O.

TC TECH's business strength lies in the company's patented technology for rapid heating and cooling, which enables manufacturing of nano patterns in advanced plastic components.

During the second quarter of the year, we continued our marketing activities aimed at potential customers in the LGP for LCD displays segment, as well as in other optical applications and microfluid applications in the biotechnology industry. Even though we currently only have digital communication channels at our disposal due to the Covid-19 pandemic, we are noticing a continued strong interest in our technology and our production systems. This is true not least for new application areas within optical polymers, and we are therefore really hoping that it will become possible to reinstate a more normal marketing process later during the year. We are following the Covid-19 development closely, and we are noticing that a number of countries in Europe have begun their reopening processes, and hopefully countries such as Taiwan, China and the United States will follow with reduced restrictions for business travellers during the autumn.

At the same time, our testing operations have continued during the period and in the beginning of the third quarter, and we are working intensively in our facilities with a cleanroom in Spånga. This includes testing for existing customers in Asia, the ongoing evaluation project with a company in the German automotive industry, as well as tests for various potential customers. We see this as a great opportunity to deepen our collaborations with the aim to sign new order agreements, while at the same time we are broadening the technology platform that we are able to offer to potential customers in our new application areas.

The knowledge derived from our testing operations is also used in the ongoing development of our technology platform. We have also continued to refine our processes within our own production and delivery chain. This means that we are able to offer attractive lead times on deliveries also for the larger orders that we are hoping will materialize in the future when our customers decide to scale up their production capacity.

Financially, we have continued to keep our operational costs down during the second quarter by using available options such as short-term furlough of personnel at 40 percent. We expect to keep our costs down also during the third quarter, while at the same time we hope to be able to increase our marketing activities again during the fourth quarter which will lead to increased costs in areas such as travels and customer activities.

Even though we have not been able to announce any concrete progress during the second quarter, I want to emphasize that our dialogues and test/evaluation projects together with existing and potential customers keep me confident that TC TECH has a positive outlook for the future. Our technology has a disruptive potential that we hope to be able to fully utilize when we are able to travel to our customers again after having put the majority of the Covid-19-related effects behind us.

Spånga in August 2020

Alexander Luiga, C.E.O

TC TECH - business concept

TC TECH is an innovative technology company that has developed a patented system for production using high-precision inductive heating. This is being done by using a very rapid process of heating and cooling of different materials. The company's business operations are based on 10 years of research and development, and the technology can be used for a large number of applications areas and materials.

TC TECH focuses on the manufacturing industry for advanced plastic details in several application areas, such as Light Guide Plates (LPG) for displays, front lights, optical films, VR, microfluids etc. TC TECH's technology facilitates the creation and use of more advanced patterns in volume production compared to what was previously possible. As the production method also enables a low production cost, it has potential to become a new standard in these application industries.

TC TECH offers complete systems that can be integrated into the customer's manufacturing chain. The sales process is mainly carried out in collaboration with agents and distributors in Taiwan/China, Korea and Japan.

Typical customers include manufacturers of the products mentioned above, and they are usually providers to large companies in segments such as consumer electronics, instrument panels, biotechnology etc.

Sales and earnings

April - June 2020

Net sales amounted to 0 (4 254) TSEK in the second quarter of 2020, mainly due to travelling restrictions and customers investment limitations due to Covid-19. Operating loss totalled -5 220 (-6 808) TSEK, where the result improvement mainly is the result of cost reductions from personnel, consultants and other external expenses. Net financial items -29 (-30) TSEK, and net loss -5 249 (-6 838) TSEK.

January - June 2020

Net sales amounted to 105 (5 118) TSEK in the first half of 2020, mainly due to travelling restrictions and customers investment limitations due to Covid-19. Operating loss totalled -12 599 (-15 313) TSEK, where the result improvement mainly is the result of cost reductions from personnel, consultants and other external expenses. Net financial items -58 (-59) TSEK, and net loss -12 657 (-15 372) TSEK.

Financial position

In the second quarter of the year, cash flow from operating activities amounted to -2 986 (-9 270) TSEK, of which -4 (-4 944) TSEK from changes in working capital. Cash flow from investing activities amounted to -508 (-706) TSEK, of which -33 (-45) TSEK attributable to fixed assets and -375 (-661) TSEK to IPR and capitalized expenditure for R&D. Financial assets amounted to -100 (0) TSEK. Cash flow from financing activities totalled 0 (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 April to June amounted to -3 494 (-9 976) TSEK.

In the first half of the year, cash flow from operating activities amounted to -10 328 (-15 947) TSEK, of which -2 188 (-5 568) TSEK from changes in working capital. Cash flow from investing activities amounted to -805 (-2 438) TSEK, of which -37 (-890) TSEK attributable to fixed assets and -688 (-1 548) TSEK to IPR and capitalized expenditure for R&D. Financial assets amounted to -100 (0) TSEK. Cash flow from financing activities totalled 0 (1 452) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 0 (-1 452) TSEK to directed equity issue. Total cash flow for the first six months of 2020 amounted to -11 133 (-19 837) TSEK.

The company's total liabilities amounted to 7 439 (15 990) TSEK on June 30th 2020, 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 30th 2020 amounted to 10 366 TSEK, of which 15 023 TSEK were cash and cash equivalents. On June 30th 2019, the company had net liquid assets amounting to 10 140 TSEK of which 14 797 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 34 290 (40 396) TSEK on June 30th 2020, and its equity ratio was 82% (72%).

Human resources

As of June 30th 2020, the company had a total number of 11 staff members, of whom 11 were employees. As of June 30th 2019, the company had a total number of 17 staff members, of whom 15 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.
- The ongoing Covid-19 pandemic affects TC TECH by severely limiting the possibilities to conduct physical customer meetings.
- 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

Advanced displays are becoming increasingly common, and this is positive for TC TECH. The interest in advanced patterns is increasing also in other applications such as optical films, VR equipment, front lit displays, displays in the automotive industry and microfluidic products. The main driver for the development of increasingly advanced displays are the consumer electronics companies that are demanding displays with higher resolution and lower power consumption. They should also be as thin as possible so that they take up minimal space in the final product, and this requires more optically advanced optical films. This is true in the consumer electronics segment as well as in VR equipment, instrumental panels in vehicles and other display types. In the biotechnology segment, advanced microfluidic products are in demand to be able to conduct clinical testing of bodily fluids (such as blood). The market is thus ready for a technological paradigm shift and the new production technology to make this happen. The manufacturing industry, that TC TECH is a part of, is mainly driven by technology advances when implementing new models, and this will require new manufacturing methods. As TC TECH's technology and equipment is already adapted and ready to use in all of the applications mentioned above, the company is able to expand its potential to receive orders in the future.

Developments after June 30th 2020

No significant circumstances have occurred since June 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 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 2020 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

Interim Report as of September 30 th 2020	October 29 th 2020
Year end report as of December 31 st 2020	February 25 th 2021
Interim Report as of March 31 st 2021	April 29 th 2021

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.

Karlshamn, August 18th 2020

TC TECH Sweden AB (publ)

Peter Mattisson
Chairman of the Board

Per-Anders Johansson
Director of the Board

Cecilia Jinert Johansson
Director of the Board

Magnus Lindvall
Director of the Board

Anders Jemail
Director of the Board

Alexander Luiga
C.E.O.

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Summarized income statements, TSEK

	3 months Apr - Jun 2020	3 months Apr - Jun 2019	6 months Jan - Jun 2020	6 months Jan - Jun 2019	Full Year 2019
Net sales	-	4 254	105	5 118	14 193
Change in inventories of products in progress, finished goods etc.	96	3 219	135	3 754	3 857
Capitalized R&D expenses	227	420	491	1 226	1 924
Other operating income	610	31	659	138	260
Total operating income	933	7 924	1 390	10 236	20 234
Raw materials and consumables	-96	-5 562	-167	-8 349	-14 340
Other external costs	-950	-2 901	-2 758	-5 201	-9 156
Personnel costs	-2 839	-3 757	-6 547	-7 005	-14 436
Depreciation	-2 268	-2 512	-4 517	-4 994	-9 836
Total operating costs	-6 153	-14 732	-13 989	-25 549	-47 768
Operating profit/loss	-5 220	-6 808	-12 599	-15 313	-27 534
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-29	-30	-58	-59	-106
Profit/loss after net financial items	-5 249	-6 838	-12 657	-15 372	-27 640
Tax	-	-	-	-	-
Net profit/loss for the period	-5 249	-6 838	-12 657	-15 372	-27 640

Summarized balance sheets, TSEK

	2020 Jun 30	2019 Jun 30	2019 Dec 31
Assets			
Intangible fixed assets	13 006	18 673	16 022
Tangible fixed assets	3 005	4 768	3 801
Shareholding	100	-	-
Total fixed assets	16 111	23 441	19 823
Products in progress/for resale	9 149	8 909	9 013
Current receivables	1 446	9 239	2 782
Cash and bank balances	15 023	14 797	26 157
Total current assets	25 618	32 945	37 952
Total assets	41 729	56 386	57 775
Equity and liabilities			
Share capital	1 401	1 288	1 401
Development fund	8 685	10 748	9 849
Total restricted equity	10 086	12 036	11 250
Share premium reserve	161 142	142 436	161 141
Retained earnings	-124 281	-98 704	-97 805
Profit (loss) for the period	-12 657	-15 372	-27 640
Total unrestricted equity	24 204	28 360	35 696
Total equity	34 290	40 396	46 946
Trade accounts payable	295	5 143	3 083
Liabilities to associated companies	4 657	4 657	4 715
Other liabilities	567	4 958	905
Accrued expenses and prepaid income	1 920	1 232	2 126
Total current liabilities	7 439	15 990	10 829
Total equity and liabilities	41 729	56 386	57 775

Summarized cash flow analyses, TSEK

	3 months Apr - Jun 2020	3 months Apr - Jun 2019	6 months Jan - Jun 2020	6 months Jan - Jun 2019	Full Year 2019
Operating income	-5 220	-6 808	-12 599	-15 313	-27 534
Adjustments for items not included in cash flow	2 267	2 512	4 517	4 993	9 836
Interest received	-	-	-	-	10
Interest paid	-29	-30	-58	-59	-116
Cash flow from operating activities before change in working capital	-2 982	-4 326	-8 140	-10 379	-17 804
Inventory/work in progress	-95	-3 216	-135	-3 752	-3 857
Accounts receivables	236	-7 194	1 336	-7 170	-712
Accounts Payables	-476	5 277	-2 788	5 581	-464
Other current liabilities	331	189	-601	-227	656
Cash flow from change in working capital	-4	-4 944	-2 188	-5 568	-4 377
Cash flow from operating activities	-2 986	-9 270	-10 328	-15 947	-22 181
Investments in patents	-147	-241	-177	-322	-822
Investments in capitalizes development costs	-228	-420	-491	-1 226	-1 923
Investments in machinery and equipment	-33	-45	-37	-890	-917
Investments in financial assets	-100	-	-100	-	-
Cash flow from investing activities	-508	-706	-805	-2 438	-3 662
Borrowings	-	-	-	-	-
Repayment of debt	-	-	-	-	-
New share issues and shareholders contribution	-	-	-	-	19 001
Issue expenses	-	-	-	-1 452	-1 635
Cash flow from financing activities	-	-	-	-1 452	17 366
Cash flow for the period	-3 494	-9 976	-11 133	-19 837	-8 477
<i>Cash and cash equivalents, opening balance</i>	<i>18 518</i>	<i>24 773</i>	<i>26 157</i>	<i>34 634</i>	<i>34 634</i>
<i>Cash and cash equivalents, closing balance</i>	<i>15 023</i>	<i>14 797</i>	<i>15 023</i>	<i>14 797</i>	<i>26 157</i>

Data per share

	3 months Apr - Jun 2020	3 months Apr - Jun 2019	6 months Jan - Jun 2020	6 months Jan - Jun 2019	Full Year 2019
Earnings per share, SEK ¹⁾	-0,30	-0,42	-0,72	-0,96	-1,70
Earnings per share, SEK, diluted ²⁾	-0,30	-0,42	-0,72	-0,96	-1,70
Equity per share ¹⁾	1,96	2,51	1,96	2,51	2,68
Cash flow from operating activities per share, SEK ¹⁾	-0,17	-0,58	-0,59	-0,99	-1,37
Share price on closing day, SEK	7,26	16,65	7,26	16,65	10,95
Number of shares on balance sheet day	17 508 047	16 095 347	17 508 047	16 095 347	17 508 047
Number of shares on balance sheet day, diluted ²⁾	17 508 047	16 095 347	17 508 047	16 095 347	17 508 047
Number of shares, weighted average	16 508 047	16 029 008	17 508 047	16 029 008	16 228 878
Number of shares, weighted average, diluted ²⁾	17 508 047	16 029 008	17 508 047	16 029 008	16 228 878

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 2019	12 322	142 437	-98 991	55 768
Transfer to development fund	-286	-	286	-
Loss for the period	-	-	-15 372	-15 372
June 30 2019	12 036	142 437	-114 077	40 396
New share issues*	113	18 888	-	19 001
Issue expenses	-	-183	-	-183
Transfer to development fund	- 899	-	899	-
Loss for the period	-	-	-12 268	-12 268
December 31 2019	11 250	161 142	-125 446	46 946
Change in development fund	-1 164	-	1 164	-
Loss for the period	-	-	-12 657	-12 657
June 30 2020	10 086	161 142	-136 938	34 290

*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 year 2019, the company has made one new share issue. It was made in the fourth quarter and was a directed equity issue of 1 412 700 shares. During the first two quarters of the year 2020, the company has made no new share issues.

Key ratios

	3 months Apr - Jun 2020	3 months Apr - Jun 2019	6 months Jan - Jun 2020	6 months Jan - Jun 2019	Full Year 2019
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	82 %	72 %	82 %	72 %	81 %
Liquid assets, net (TSEK)	10 366	10 140	10 366	10 140	21 557
Market cap, at end of period, TSEK	127 108	267 988	127 108	267 988	191 713