



TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

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

- Net sales amounted to 105 (864) TSEK in the first quarter of 2020.
- Net profit/loss totalled -7 407 (-8 534) TSEK in the first quarter of 2020.
- Cash flow from operating activities was -7 342 (-6 676) TSEK in the first quarter of 2020.

Developments in the first quarter of 2020

- TC TECH Sweden AB (publ) announced that the company has received an order for an evaluation project of LGPs from a German sub-supplier in the automotive industry. This is TC TECH's first inroad into the automotive industry.

Developments after March 31st, 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 first quarter of the year, we continued to initiate and deepen our relations with existing and potential customers with the aim to sign additional agreements for the use of TC TECH's unique technology. As previously mentioned, we have broadened our offering and marketing to additional segments in addition to LGP's for LCD displays. We are noticing an interest within other optical applications such as optical films, VR equipment and frontlight displays, and also microfluidic applications in the biotechnology industry. This broader interest is now becoming more concrete as our production system has been verified to work well in commercial production settings.

A concrete example of our ability to convert this broader interest into customer relations and agreement was presented in the first quarter when we received a test order for an automotive application from a German company. This is our first agreement in this segment, and we have a positive view on this possibility to broaden our customer base. By reaching a broader customer base, we are also able to reach companies in other regions in addition to Asia, such as Europe and the United States.

Later in the quarter, our ability to conduct physical meetings in Asia, as well as in Europe and the United States, were severely limited by the Covid-19 pandemic. Since then, we have been using digital meetings in our marketing activities, even though it is not an optimal replacement.

Due to the current situation we have also implemented several measures to reduce our operational costs, including short-term furlough of personnel at 40 percent. At the same time, it is important to highlight that many aspects of our business operations are very much ongoing also during this period. This includes the testing conducted for customers, including the recently presented customer in the German automotive industry, as well as other customers in Asia. This is made possible by having access to our own facilities with a cleanroom in Spånga, while we of course follow the recommendations of the public health agency in Sweden.

We are also continuing to progress with our efforts to more clearly present our offering in additional segments, and our dialogues with potential customers enables us to create the examples and data needed in an effective manner. We are in other words trying to utilise this period in the best way possible, so that we will be able to come out of this situation with an even stronger commercial offering.

While it is of course frustrating that the Covid-19 pandemic is creating inertia when it comes to closing new deals, it is comforting that we are not seeing any tendencies towards a reduced underlying interest in our technology. If anything, it is the other way around, as periods with radical changes in circumstances often creates possibilities for afterthought and change, including utilising new technology. Based on this I continue to have a positive outlook on TC TECH's future, while I at the same time sincerely hope that Sweden as well as the rest of the world will soon be able to get back to a more normal situation.

Spånga in April 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

January - March 2020

Net sales amounted to 105 (864) TSEK in the first quarter of 2020. Operating loss totalled -7 378 (-8 505) TSEK, net financial items -29 (-29) TSEK, and net loss -7 407 (-8 534) TSEK.

Financial position

In the first quarter of the year, cash flow from operating activities amounted to -7 342 (-6 676) TSEK, of which -2 184 (-624) TSEK from changes in working capital. Cash flow from investing activities amounted to -298 (-1 732) TSEK, of which -4 (-844) TSEK attributable to fixed assets and -294 (-888) TSEK to IPR and capitalized expenditure for R&D. 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 period January to March amounted to -7 639 (-9 861) TSEK.

The company's total liabilities amounted to 7 584 (10 524) TSEK on March 31st 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 March 31st 2020 amounted to 13 889 TSEK, of which 18 518 TSEK were cash and cash equivalents. On March 31st 2019, the company had net liquid assets amounting to 20 173 TSEK of which 24 773 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 39 539 (47 234) TSEK on March 31st 2020, and its equity ratio was 84% (82%).

Human resources

As of March 31st 2020, the company had a total number of 14 staff members, of whom 14 were employees. As of March 31st 2019, 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.
- 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 March 31st 2020

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 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

Annual General Meeting	May 14 th 2020
Interim Report as of June 30 th 2020	August 19 th 2020
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

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 14th 2020, 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 29th 2020

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 2020	3 months Jan - Mar 2019	Full Year 2019
Net sales	105	864	14 193
Change in inventories of products in progress, finished goods etc.	40	536	3 857
Capitalized R&D expenses	263	806	1 924
Other operating income	49	106	260
Total operating income	457	2 312	20 234
Raw materials and consumables	-71	-2 787	-14 340
Other external costs	-1 807	-2 301	-9 156
Personnel costs	-3 708	-3 248	-14 436
Depreciation	-2 249	-2 481	-9 836
Total operating costs	-7 835	-10 817	-47 768
Operating profit/loss	-7 378	-8 505	-27 534
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-29	-29	-106
Profit/loss after net financial items	-7 407	-8 534	-27 640
Tax	-	-	-
Net profit/loss for the period	-7 407	-8 534	-27 640

Summarized balance sheets, TSEK

	2020 Mar 31	2019 Mar 31	2019 Dec 31
Assets			
Intangible fixed assets	14 475	20 007	16 022
Tangible fixed assets	3 396	5 241	3 801
Total fixed assets	17 871	25 248	19 823
Products in progress/for resale	9 053	5 692	9 013
Current receivables	1 681	2 045	2 782
Cash and bank balances	18 518	24 773	26 157
Total current assets	29 252	32 510	37 952
Total assets	47 123	57 758	57 775
Equity and liabilities			
Share capital	1 401	1 288	1 401
Development fund	9 291	11 098	9 849
Total restricted equity	10 692	12 386	11 250
Share premium reserve	161 142	142 437	161 141
Retained earnings	-124 888	-99 055	-97 805
Profit (loss) for the period	-7 407	-8 534	-27 640
Total unrestricted equity	28 847	34 848	35 696
Total equity	39 539	47 234	46 946
Trade accounts payable	772	3 217	3 083
Liabilities to associated companies	4 629	4 629	4 715
Other liabilities	550	1 455	905
Accrued expenses and prepaid income	1 633	1 223	2 126
Total current liabilities	7 584	10 524	10 829
Total equity and liabilities	47 123	57 758	57 775

Summarized cash flow analyses, TSEK

	3 months Jan - Mar 2020	3 months Jan - Mar 2019	Full Year 2019
Operating income	-7 378	-8 505	-27 534
Adjustments for items not included in cash flow	2 249	2 481	9 836
Interest received	-	-	10
Interest paid	-29	-29	-116
Cash flow from operating activities before change in working capital	-5 158	-6 053	-17 804
Inventory/work in progress	-40	-535	-3 857
Accounts receivables	1 100	24	-712
Accounts Payables	-2 311	304	-464
Other current liabilities	-933	-417	656
Cash flow from change in working capital	-2 184	-623	-4 377
Cash flow from operating activities	-7 342	-6 676	-22 181
Investments in patents	-30	-82	-822
Investments in capitalizes development costs	-263	-806	-1 923
Investments in machinery and equipment	-4	-844	-917
Cash flow from investing activities	-297	-1 732	-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	-7 639	-9 861	-8 477
<i>Cash and cash equivalents, opening balance</i>	<i>26 157</i>	<i>34 634</i>	<i>34 634</i>
<i>Cash and cash equivalents, closing balance</i>	<i>18 518</i>	<i>24 773</i>	<i>26 157</i>

Data per share

	3 months Jan - Mar 2020	3 months Jan - Mar 2019	Full Year 2019
Earnings per share, SEK ¹⁾	-0,42	-0,53	-1,70
Earnings per share, SEK, diluted ²⁾	-0,42	-0,53	-1,70
Equity per share ¹⁾	2,26	2,93	2,68
Cash flow from operating activities per share, SEK ¹⁾	-0,42	-0,42	-1,37
Share price on closing day, SEK	7,20	17,65	10,95
Number of shares on balance sheet day	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
Number of shares, weighted average	16 508 047	15 961 933	16 228 878
Number of shares, weighted average, diluted ²⁾	17 508 047	15 961 933	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	64	-	-64	-
Loss for the period	-	-	-8 534	-8 534
March 31 2019	12 386	142 437	-107 589	47 234
New share issues*	113	18 888	-	19 001
Issue expenses	-	-183	-	-183
Transfer to development fund	-1 249	-	1 249	-
Loss for the period	-	-	-19 106	-19 106
December 31 2019	11 250	161 142	-125 446	46 946
Change in development fund	-558	-	558	-
Loss for the period	-	-	-7 407	-7 407
March 31 2020	10 692	161 142	-132 295	39 539

*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 quarter of the year 2020, the company has made no new share issues.

Key ratios

	3 months Jan - Mar 2020	3 months Jan - Mar 2019	Full Year 2019
Operating margin, %	Neg	Neg	Neg
Equity/assets ratio, %	84 %	82 %	81 %
Liquid assets, net (TSEK)	13 889	20 173	21 557
Market cap, at end of period, TSEK	126 058	284 083	191 713