



TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) **Interim report** **June 30th, 2022**

- Net sales amounted to 34 (0) TSEK in the second quarter of 2022.
- Net profit/loss totalled -8 187 (-2 557) TSEK in the second quarter of 2022.
- Cash flow from operating activities was -4 259 (-1 716) TSEK in the second quarter of 2022.
- Net sales amounted to 5 829 (0) TSEK in the first half of 2022.
- Net profit/loss totalled -12 201 (-6 657) TSEK in the first half of 2022.
- Cash flow from operating activities was -10 361 (-5 519) TSEK in the period from January 1st to June 30th, 2022.

Developments in the second quarter of 2022

- TC TECH completed a fully subscribed rights issue of 6,349,349 shares in accordance with the resolution made at the Extraordinary General Meeting on April 7, 2022. Through the issue, the company's share capital has increased by SEK 507,947.92, while the company has been allocated approximately SEK 24.8 million in cash and cash equivalents.
- TC TECH announced that the company has received its first order in the biotechnology sector from Israel-based diagnostics company Picodya Technologies Lt. Order is worth approximately SEK 6.5 million relating to production systems and peripherals for the manufacture of consumables in microfluidics/diagnostics.

Developments after June 30, 2022

- TC TECH announced that the bid company CIMON Acquisition AB on July 5 announced a mandatory cash offer to shareholders in TC TECH Sweden AB (publ). And that CIMON Acquisition AB on July 27 published an offer document regarding a mandatory public offer to the shareholders of TC TECH Sweden AB (publ).

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, we have continued to focus on marketing activities aimed at existing and potential customers. As previously communicated, our goal is to strengthen our position in Asia via our subsidiary in Taiwan, while also investing in marketing activities in more regions such as North America and Europe. The same applies to our offer: we work with applications in optical films, where we mainly have dialogues regarding the use of our technology for the production of diffusers for the new generation of mini-LED displays, as well as applications for new market segments such as microfluidics.

In view of the above, it was encouraging that we were able to present an order worth approximately 6,5 MSEK from the Israel-based diagnostics company Picodya during the quarter. The order covers production systems and peripheral equipment for the manufacturing of consumables in microfluidics/diagnostics, and it is the company's first order to a customer in the biotechnology sector. It is also TC TECH's first major order to a company outside Northeast Asia. We have thus achieved two important milestones which demonstrates the company's potential as we now work to broaden our market area.

The system, with associated peripheral equipment, will be delivered and put into operation at the end of August. Our staff will be present on-site, and we look forward to working with our new customer to strengthen our opportunities for applications in microfluidics. This will be beneficial for TC TECH, enabling us to contribute with valuable production technology within this market segment as well.

TC TECH also faced challenges in the second quarter, as shutdowns in China and sharply rising global inflation seem to have contributed to a slightly lower willingness to invest in new production equipment among existing and potential customers. In concrete terms, we have noticed this through delays in our ongoing discussions, but at the same time it is clear that there remains a need for investments, not least in the segment for optical films, in the coming years. Many companies have fallen behind in their planning due to the pandemic. In June, however, I finally got the opportunity to visit Taiwan again after over 2 years of travel restrictions. I spent several weeks there and met a number of companies in both of our area segments. Within optical films, the companies confirmed the upcoming and to some extent already ongoing technology shift to mini-LED displays, which means that upgrades and new investments in production equipment may be implemented in the not-too-distant future.

Overall, we are still optimistic about the future for TC TECH, and I would like to take the opportunity to thank all the existing and new shareholders who participated in the preferential share issue of 24,8 MSEK, fully guaranteed by the principal shareholders, which was carried out during the period.

Finally, I would like to also in these CEO comments draw the attention of all shareholders to the public takeover bid made by CIMON Acquisition on TC TECH in accordance with the rules on mandatory bids in the Takeover Rules. The offer amounts to 4,20 SEK in cash per share with an acceptance period that expires on August 24, 2022.

Spånga in August 2022

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 2022

Net sales amounted to 34 (0) TSEK in the second quarter of 2022, mainly due to travelling restrictions and customers investment limitations. Operating loss totalled -8 157 (-2 527) TSEK, where the change mainly is the result of increased costs in our markets investments. Net financial items -30 (-30) TSEK, and net loss -8 187 (-2 557) TSEK.

January - June 2022

Net sales amounted to 5 829 (0) TSEK in the first half of 2022, mainly due to revenues from system sales to China. Operating loss totalled -12 142 (-6 598) TSEK, where the change mainly is the result of increased costs in our markets investments. Net financial items -59 (-59) TSEK, and net loss -12 201 (-6 657) TSEK.

Financial position

In the second quarter of the year, cash flow from operating activities amounted to -4 259 (-1 716) TSEK, of which -2 835 (-457) TSEK from changes in working capital. Cash flow from investing activities amounted to -123 (-385) TSEK, of which 0 (-23) TSEK attributable to fixed assets and -123 (-362) TSEK to IPR and capitalized expenditure for R&D. Financial assets amounted to 0 (0) TSEK. Cash flow from financing activities totalled 24 223 (0) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 24 223 (0) TSEK to directed equity issue. Total cash flow for the period April to June amounted to 19 841 (-2 101) TSEK.

In the first half of the year, cash flow from operating activities amounted to -10 361 (-5 519) TSEK, of which -384 (-1 500) TSEK from changes in working capital. Cash flow from investing activities amounted to -215 (-751) TSEK, of which 0 (-23) TSEK attributable to fixed assets and -215 (-728) TSEK to IPR and capitalized expenditure for R&D. Financial assets amounted to 0 (0) TSEK. Cash flow from financing activities totalled 24 223 (0) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 24 223 (0) TSEK to directed equity issue. Total cash flow for the first six months of 2022 amounted to 13 647 (-6 270) TSEK.

The company's total liabilities amounted to 12 234 (13 512) TSEK on June 30th 2022, 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 2022 amounted to 20 474 TSEK, of which 25 131 TSEK were cash and cash equivalents. On June 30th 2021, the company had net liquid assets amounting to 9 396 TSEK of which 14 053 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 31 223 (30 113) TSEK on June 30th 2022, and its equity ratio was 72% (69%).

Human resources

As of June 30th 2022, the company had a total number of 13 staff members, of whom 10 were employees. As of June 30th 2021, the company had a total number of 9 staff members, of whom 9 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 mini-LED and 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 2022

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 2022 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 2022	October 27 th 2022
Year end report as of December 31 st 2022	February 17 th 2023
Interim Report as of March 31 st 2023	April 27 th 2023

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.

Spånga, August 17th 2022

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

Jörgen Brandt
Director of the Board

Alexander Luiga
C.E.O.

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Summarized income statements, TSEK

	3 months Apr - Jun 2022	3 months Apr - Jun 2021	6 months Jan - Jun 2022	6 months Jan - Jun 2021	Full Year 2021
Net sales	34	-	5 829	-	912
Change in inventories of products in progress, finished goods etc.	1 078	181	2 555	336	1 847
Capitalized R&D expenses	62	242	154	486	788
Other operating income	49	484	52	1 286	1 695
Total operating income	1 223	907	8 590	2 108	5 242
Raw materials and consumables	-1 958	-194	-6 594	-448	-3 275
Other external costs	-3 553	-970	-6 493	-1 780	-5 751
Personnel costs	-2 776	-972	-5 421	-3 840	-8 575
Total operating costs before depreciation	-8 287	-2 136	-18 508	-6 068	-17 601
EBIDTA	-7 064	-1 229	-9 918	-3 960	-12 359
Depreciation	-1 093	-1 298	-2 224	-2 638	-5 106
Total operating costs	-9 380	-3 434	-20 732	-8 706	-22 707
Operating profit/loss	-8 157	-2 527	-12 142	-6 598	-17 465
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-30	-30	-59	-59	-103
Profit/loss after net financial items	-8 187	-2 557	-12 201	-6 657	-17 568
Tax	-	-	-	-	-
Net profit/loss for the period	-8 187	-2 557	-12 201	-6 657	-17 568

Summarized balance sheets, TSEK

	2022 Jun 30	2021 Jun 30	2021 Dec 31
Assets			
Intangible fixed assets	6 687	9 567	8 268
Tangible fixed assets	571	1 525	999
Shareholding	100	100	100
Total fixed assets	7 358	11 192	9 367
Products in progress/for resale	10 366	9 721	10 782
Current receivables	602	8 659	1 321
Cash and bank balances	25 131	14 053	11 484
Total current assets	36 099	32 433	23 587
Total assets	43 457	43 625	32 954
Equity and liabilities			
Share capital	2 032	1 524	1 524
Development fund	3 595	6 277	4 949
Total restricted equity	5 627	7 801	6 473
Share premium reserve	195 320	171 606	171 605
Retained earnings	-157 523	-142 637	-141 309
Profit (loss) for the period	-12 201	-6 657	-17 568
Total unrestricted equity	25 596	22 312	12 728
Total equity	31 223	30 113	19 201
Advance payments from customers	4 723	6 290	5 968
Trade accounts payable	1 196	546	1 432
Liabilities to associated companies	4 657	4 657	4 600
Other liabilities	334	627	372
Accrued expenses and prepaid income	1 992	1 392	1 381
Total current liabilities	12 234	13 512	13 753
Total equity and liabilities	43 457	43 625	32 954

Summarized cash flow analyses, TSEK

	3 months Apr - Jun 2022	3 months Apr - Jun 2021	6 months Jan - Jun 2022	6 months Jan - Jun 2021	Full Year 2021
Operating income	-8 157	-2 527	-12 142	-6 598	-17 466
Adjustments for items not included in cash flow	1 093	1 298	2 224	2 637	5 106
Interest received	-	-	-	-	8
Interest paid	-30	-30	-59	-58	-111
Cash flow from operating activities before change in working capital	-7 094	-1 259	-9 977	-4 019	-12 463
Inventory/work in progress	-1 075	-250	415	-405	-1 466
Accounts receivables	1 058	-6 497	232	-7 241	97
Accounts Payables	-311	364	-236	283	1 169
Other current liabilities	3 163	5 926	-795	5 863	5 218
Cash flow from change in working capital	2 835	-457	-384	-1 500	5 018
Cash flow from operating activities	-4 259	-1 716	-10 361	-5 519	-7 445
Investments in patents	-62	-120	-61	-242	-550
Investments in capitalizes development costs	-61	-242	-154	-486	-788
Investments in machinery and equipment	-	-23	-	-23	-56
Investments in financial assets	-	-	-	-	-
Cash flow from investing activities	-123	-385	-215	-751	-1 394
Borrowings	-	-	-	-	-
Repayment of debt	-	-	-	-	-
New share issues and shareholders contribution	24 762	-	24 762	-	-
Issue expenses	-539	-	-539	-	-
Cash flow from financing activities	24 223	-	24 223	-	-
Cash flow for the period	19 841	-2 101	13 647	-6 270	-8 839
<i>Cash and cash equivalents, opening balance</i>	<i>5 290</i>	<i>16 154</i>	<i>11 484</i>	<i>20 323</i>	<i>20 323</i>
<i>Cash and cash equivalents, closing balance</i>	<i>25 131</i>	<i>14 053</i>	<i>25 131</i>	<i>14 053</i>	<i>11 484</i>

Data per share

	3 months Apr - Jun 2022	3 months Apr - Jun 2021	6 months Jan - Jun 2022	6 months Jan - Jun 2021	Full Year 2021
Earnings per share, SEK ¹⁾	-0,38	-0,13	-0,60	-0,35	-0,92
Earnings per share, SEK, diluted ²⁾	-0,38	-0,13	-0,60	-0,35	-0,92
Equity per share ¹⁾	1,23	1,58	1,23	1,58	1,01
Cash flow from operating activities per share, SEK ¹⁾	-0,20	-0,09	-0,51	-0,29	-0,39
Share price on closing day, SEK	3,59	8,40	3,59	8,40	6,18
Number of shares on balance sheet day	25 397 396	19 048 047	25 397 396	19 048 047	19 048 047
Number of shares on balance sheet day, diluted ²⁾	25 617 396	19 268 047	25 617 396	19 268 047	19 268 047
Number of shares, weighted average	21 699 424	19 048 047	20 381 059	19 048 047	19 048 047
Number of shares, weighted average, diluted ²⁾	21 919 424	19 268 047	20 601 059	19 268 047	19 268 047

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⁾ In August 2020, TC TECH issued 220 000 share warrants giving the right to subscribe for a maximum of 220 000 shares. The exercise period runs from 2020-08-20 to 2022-12-01, the exercise price corresponding to SEK 15,43 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. No warrants were exercised in 2020, 2021 or first six months of 2022.

Changes in equity, TSEK

	Share capital	Share premium reserve	Retained earnings - P/L for the period	Total equity
January 1 2021	9 003	171 606	-143 839	36 770
Transfer to development fund	-1 202	-	1 202	-
Loss for the period	-	-	-6 657	-6 657
June 30 2021	7 801	171 606	-149 294	30 113
Transfer to development fund	-1 9328	-	1 328	-
Loss for the period	-	-	-10 912	-10 912
December 31 2021	6 473	171 606	-158 878	19 201
New share issues*	508	24 254	-	24 762
Issue expenses	-	-539	-	-539
Change in development fund	-1 354	-	1 354	-
Loss for the period	-	-	-12 201	-12 201
June 30 2022	5 627	195 321	-169 725	31 223

* During the year 2022, the company has made one new share issue. It was made in the second quarter and was a directed equity issue of 6 349 349 shares.

Key ratios

	3 months Apr - Jun 2022	3 months Apr - Jun 2021	6 months Jan - Jun 2022	6 months Jan - Jun 2021	Full Year 2021
Operating margin, %	Neg	Neg	Neg	Neg	Neg
EBITDA	-7 064	-1 229	-9 918	-3 960	-12 359
Equity/assets ratio, %	72 %	69 %	72 %	69 %	58 %
Liquid assets, net (TSEK)	20 474	9 396	20 474	9 396	6 884
Market cap, at end of period, TSEK	91 177	160 004	91 177	160 004	117 717