



TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) **Interim report** **September 30th, 2020**

- Net sales amounted to 0 (4 717) TSEK in the third quarter of 2020.
- Net profit/loss totalled -4 925 (-6 261) TSEK in the third quarter of 2020.
- Cash flow from operating activities was -3 125 (-2 243) TSEK in the third quarter of 2020.
- Net sales amounted to 105 (9 835) TSEK in the first nine months of 2020.
- Net profit/loss totalled -17 581 (-21 633) TSEK in the first nine months of 2020.
- Cash flow from operating activities was -13 453 (-18 190) TSEK in the period from January 1st to September 30th, 2020.

Developments in the third quarter of 2020

- The company has still 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.

Developments after September 30th, 2020

- The board of directors of TC TECH Sweden AB (publ) announced their decision to conduct a directed share issue of maximum 1 540 000 shares in accordance with the authorization granted from the company's annual general meeting on May 14, 2020. The share issue will increase the company's share capital with maximum 123 200 SEK, while the company receives approx. 10,6 MSEK in cash.

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.

In the third quarter, we continued our virtual marketing and sales activities aimed at potential customers with testing operations in our facilities in Spånga, as well as further development of our technology. Although the Covid-19 pandemic is not over, it is inspiring to see that the interest in our production system and technology continues to grow and expand to additional segments. Among other things, this means that we have a higher number of ongoing discussions with potential customers today compared to a few months ago. As most forecasters expect that one or more Covid-19 vaccines may become available in the coming quarters, and thus that even more restrictions can be lifted, our hope is that our clients' possibilities to conduct investments will increase in the future.

To make our offer even more attractive, we have developed a new tool that expands the maximal pressing area of our production system to 370x235 mm, which covers areas up to 17-inch displays. When the system is upgraded with this new T10 tool, it is able to manufacture optical films for the three most popular screen sizes in laptops: 13, 15 and 17 inches. This can be compared to the previous T6 tool which could handle optical films for displays up to 15 inches. This performance improvement is something that has been requested by our customers, and we have already noticed an interest since it became possible to order the new tool in September.

Another challenge for our customers has been that their traditional nickel stampers have certain limitations when it comes to delivering as high a resolution and quality as our production system. For today's applications, nickel stampers are usually sufficient, but for next-generation applications such as diffusers for mini and micro LED displays, extreme accuracy throughout the production chain is a necessity. We have therefore developed a new material for stampers with improved properties for hot embossing, together with the Taiwanese electroforming company Hui Fong. Each step in the manufacturing of stampers in the new material, which is a nickel alloy with a high proportion of cobalt, has undergone chemical validation and mechanical evaluation under an electron microscope at our facilities and at a customer's facilities in Taiwan. The customer has since approved the new material, and we are excited to see what they will be able to achieve with this improved production chain.

The news mentioned above are two examples of our intensive work to further develop our technology and its application areas, and we expect this to lead to a more continuous news flow going forward. We have therefore started to publish a newsletter aimed at TC TECH's shareholders, potential investors and others interested in the company. New editions of the newsletter will be published regularly. To subscribe and read the October issue, please visit our website.

After the end of the period, a directed share issue was carried out which provided TC TECH with 10.6 MSEK. The largest subscribers were three companies in the Swedish insurance group Länsförsäkringar. The proceeds from the share issue will enable us to maintain a high pace in the ongoing development of our technology within new application areas, while we are also ready to gradually expand our marketing activities on-site in Asia, Europe and the United States as soon as possible considering the Covid-19 pandemic.

With the strong interest from potential customers, our upgraded and expanded offer as well as our ongoing testing and evaluation projects in mind, I am optimistic about TC TECH's potential in the coming quarters, given that the restrictions due to the Covid-19 pandemic continue to ease. Recently, we received an indication that this seems to be the case, as we were able to send qualified technical personnel to our customer in China for the first time since February.

Spånga in October 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

July - September 2020

Net sales amounted to 0 (4 717) TSEK in the third quarter of 2020, mainly due to travelling restrictions and customers investment limitations due to Covid-19. Operating loss totalled -4 896 (-6 232) TSEK, where the result improvement mainly is the result of cost reductions from personnel, consultants and other external expenses. Net financial items -29 (-29) TSEK, and net loss -4 925 (-6 261) TSEK.

January - September 2020

Net sales amounted to 105 (9 835) TSEK in the first nine months of 2020, mainly due to travelling restrictions and customers investment limitations due to Covid-19. Operating loss totalled -17 495 (-21 545) TSEK, where the result improvement mainly is the result of cost reductions from personnel, consultants and other external expenses. Net financial items -86 (-88) TSEK, and net loss -17 581 (-21 633) TSEK.

Financial position

In the third quarter of the year, cash flow from operating activities amounted to -3 125 (-2 243) TSEK, of which -463 (1 488) TSEK from changes in working capital. Cash flow from investing activities amounted to -283 (-685) TSEK, of which 0 (-27) TSEK attributable to fixed assets and -283 (-658) TSEK to IPR and capitalized expenditure for R&D. Financial assets amounted to 0 (0) TSEK. Cash flow from financing activities totalled 35 (-80) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 35 (-80) TSEK to directed equity issue. Total cash flow for the period July to September amounted to -3 373 (-3 008) TSEK.

In the period January - September, cash flow from operating activities amounted to -13 453 (-18 190) TSEK, of which -2 652 (-4 080) TSEK from changes in working capital. Cash flow from investing activities amounted to -1 089 (-3 124) TSEK, of which -37 (-917) TSEK attributable to fixed assets and -952 (-2 207) TSEK to IPR and capitalized expenditure for R&D. Financial assets amounted to -100 (0) TSEK. Cash flow from financing activities totalled 35 (1 532) TSEK of which 0 (0) TSEK attributable to amortization of long-term debt and 35 (-1 532) TSEK to directed equity issue. Total cash flow for the first nine months of 2020 amounted to -14 507 (-22 846) TSEK.

The company's total liabilities amounted to 7 018 (14 850) TSEK on September 30th 2020, of which 4 600 (4 686) 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 2020 amounted to 6 964 TSEK, of which 11 650 TSEK were cash and cash equivalents. On September 30th 2019, the company had net liquid assets amounting to 7 102 TSEK of which 11 788 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 29 400 (34 055) TSEK on September 30th 2020, and its equity ratio was 81% (70%).

Human resources

As of September 30th 2020, the company had a total number of 11 staff members, of whom 11 were employees.

As of September 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 September 30th 2020

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 2020	February 25 th 2021
Interim Report as of March 31 st 2021	April 29 th 2021
Annual report 2020	April 29 th 2021
Annual General Meeting	May 20 th 2021
Interim Report as of June 30 th 2021	August 19 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, October 28th 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.

For further information, please contact
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Summarized income statements, TSEK

	3 months Jul - Sep 2020	3 months Jul - Sep 2019	9 months Jan - Sep 2020	9 months Jan - Sep 2019	Full Year 2019
Net sales	-	4 717	105	9 835	14 193
Change in inventories of products in progress, finished goods etc.	77	-33	212	3 721	3 857
Capitalized R&D expenses	257	419	747	1 645	1 924
Other operating income	479	48	1 139	186	260
Total operating income	813	5 151	2 203	15 387	20 234
Raw materials and consumables	-107	-3 426	-274	-11 776	-14 340
Other external costs	-1 061	-1 903	-3 819	-7 104	-9 156
Personnel costs	-2 278	-3 524	-8 825	-10 529	-14 436
Depreciation	-2 263	-2 530	-6 780	-7 523	-9 836
Total operating costs	-5 709	-11 383	-19 698	-36 932	-47 768
Operating profit/loss	-4 896	-6 232	-17 495	-21 545	-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	-29	-86	-88	-106
Profit/loss after net financial items	-4 925	-6 261	-17 581	-21 633	-27 640
Tax	-	-	-	-	-
Net profit/loss for the period	-4 925	-6 261	-17 581	-21 633	-27 640

Summarized balance sheets, TSEK

	2020 Sep 30	2019 Sep 30	2019 Dec 31
Assets			
Intangible fixed assets	11 447	17 312	16 022
Tangible fixed assets	2 584	4 285	3 801
Shareholding	100	-	-
Total fixed assets	14 131	21 597	19 823
Products in progress/for resale	9 226	8 878	9 013
Current receivables	1 411	6 642	2 782
Cash and bank balances	11 650	11 788	26 157
Total current assets	22 287	27 308	37 952
Total assets	36 418	48 905	57 775
Equity and liabilities			
Share capital	1 401	1 288	1 401
Development fund	8 096	10 378	9 849
Total restricted equity	9 497	11 666	11 250
Share premium reserve	161 177	142 357	161 141
Retained earnings	-123 693	-98 335	-97 805
Profit (loss) for the period	-17 581	-21 633	-27 640
Total unrestricted equity	19 903	22 389	35 696
Total equity	29 400	34 055	46 946
Advance payments from customers	-	4 145	-
Trade accounts payable	382	3 047	3 083
Liabilities to associated companies	4 686	4 808	4 715
Other liabilities	468	698	905
Accrued expenses and prepaid income	1 482	2 152	2 126
Total current liabilities	7 018	14 850	10 829
Total equity and liabilities	36 418	48 905	57 775

Summarized cash flow analyses, TSEK

	3 months Jul - Sep 2020	3 months Jul - Sep 2019	9 months Jan - Sep 2020	9 months Jan - Sep 2019	Full Year 2019
Operating income	-4 896	-6 232	-17 494	-21 545	-27 534
Adjustments for items not included in cash flow	2 263	2 530	6 780	7 523	9 836
Interest received	-	-	-	-	10
Interest paid	-29	-29	-87	-88	-116
Cash flow from operating activities before change in working capital	-2 662	-3 731	-10 801	-14 110	-17 804
Inventory/work in progress	-77	30	-212	-3 721	-3 857
Accounts receivables	35	2 598	1 372	-4 572	-712
Accounts Payables	87	1 931	-2 702	-500	-464
Other current liabilities	-508	791	-1 110	4 713	656
Cash flow from change in working capital	-463	1 488	-2 652	-4 080	-4 377
Cash flow from operating activities	-3 125	-2 243	-13 453	-18 190	-22 181
Investments in patents	-27	-239	-204	-562	-822
Investments in capitalizes development costs	-256	-419	-748	-1 645	-1 923
Investments in machinery and equipment	-	-27	-37	-917	-917
Investments in financial assets	-	-	-100	-	-
Cash flow from investing activities	-283	-685	-1 089	-3 124	-3 662
Borrowings	-	-	-	-	-
Repayment of debt	-	-	-	-	-
New share issues and shareholders contribution	35	-	35	-	19 001
Issue expenses	-	-80	-	-1 532	-1 635
Cash flow from financing activities	35	-80	35	-1 532	17 366
Cash flow for the period	-3 373	-3 008	-14 507	-22 846	-8 477
<i>Cash and cash equivalents, opening balance</i>	<i>15 023</i>	<i>14 797</i>	<i>26 157</i>	<i>34 634</i>	<i>34 634</i>
<i>Cash and cash equivalents, closing balance</i>	<i>11 650</i>	<i>11 788</i>	<i>11 650</i>	<i>11 788</i>	<i>26 157</i>

Data per share

	3 months Jul - Sep 2020	3 months Jul - Sep 2019	9 months Jan - Sep 2020	9 months Jan - Sep 2019	Full Year 2019
Earnings per share, SEK ¹⁾	-0,28	-0,39	-1,00	-1,35	-1,70
Earnings per share, SEK, diluted ²⁾	-0,28	-0,39	-1,00	-1,35	-1,70
Equity per share ¹⁾	1,68	2,12	1,68	2,12	2,68
Cash flow from operating activities per share, SEK ¹⁾	-0,18	-0,14	-0,77	-1,13	-1,37
Share price on closing day, SEK	6,84	14,60	6,84	14,60	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	16 095 347	17 508 047	16 051 364	16 228 878
Number of shares, weighted average, diluted ²⁾	17 606 090	16 095 347	17 540 967	16 051 364	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⁾ 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. None of these warrants were exercised in the third quarter of 2020.

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
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
New share issues*	113	18 888	-	19 001
Issue expenses	-	-103	-	-103
Transfer to development fund	- 529	-	529	-
Loss for the period	-	-	-6 007	-6 007
December 31 2019	11 250	161 142	-125 446	46 946
Change in development fund	-1 753	-	1 753	-
Warrant premium	-	35	-	35
Loss for the period	-	-	-17 581	-17 581
September 30 2020	9 497	161 177	-141 274	29 400

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

Key ratios

	3 months Jul - Sep 2020	3 months Jul - Sep 2019	9 months Jan - Sep 2020	9 months Jan - Sep 2019	Full Year 2019
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	81 %	70 %	81 %	70 %	81 %
Liquid assets, net (TSEK)	6 964	7 102	6 964	7 102	21 557
Market cap, at end of period, TSEK	119 755	234 992	119 755	234 992	191 713