

TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) Summarized Financial Statements 31 December 2015

- Net sales amounted to 0 (0) TSEK in 2015, of which 0 (0) TSEK in the fourth quarter of the year.
- Net profit/loss totalled -9 166 (-2 967) TSEK in 2015, of which -5 759 (-1 029) TSEK in the fourth quarter of the year.
- In October 2015, TC TECH secured its first order from a customer in Taiwan. Shipment was commenced in December, and the system is expected to be put into operation in the first quarter of 2016.
- In October – November 2015, TC TECH made a new share issue whereby the company's share capital increased by 280 TSEK. The net cash infusion amounted to 27 593 TSEK. The issue was over-subscribed by some 300 per cent.
- On 30 November 2015, the company's share was listed on Nasdaq First North (Stockholm).

Developments after year-end

- There are discussions and tests going on with a growing number of potential customers, several of whom are evaluating the possibility of exploiting TC TECH's technology for a new generation LGP with advanced optical structures.
- Additional key employees have been recruited, such as an incoming head of technical support/customer installations who is currently employed by Mycronic Japan.
- On 1 March, deputy C.E.O. Alexander Luiga joins the TC TECH team. Alexander has extensive experience from business development and sales in Asia, and is currently employed by the Efore Group.
- On 1 March TC TECH expands its premises in Spånga by some 200 m² office space, adjacent to its current R&D facilities.

Comments from Peter Mattisson, C.E.O.

TC TECH is a technological innovator that has developed a leading-edge production technology for LGP (Light Guide Plates) used in the global display industry. A number of our production systems are now ready for launch, and have met with strong interest among potential customers. We have thus taken our first steps towards commercialization.

Smartphones, tablets and laptops are becoming more and more complex and advanced – with improved functionality, and higher performance. Manufacturers are constantly striving for higher-quality displays. At the same time, however, these displays should also be as thin and energy saving as possible. The energy factor is an important one, as battery capacity for mobile units remains a bottleneck. Concurrently, the world's total energy consumption for television sets, monitors and displays remains a global problem.

With TC TECH's systems it is possible to produce thinner and optically more advanced LGP. Which, in turn, makes it possible to produce thinner and less energy-consuming screens. This might very well entail a shift of paradigm in the production of LGP. In my opinion, TC TECH might very well position its production systems as a new standard for the manufacture of next generation's LGP for the display industry.

TC TECH is now entering a new phase, launching its systems on the market. We have a strong network among the leading producers of screens, displays and components in Asia, who have shown a great interest in our technology. There are currently a number of discussions and tests going on with several potential customers. We have noted a growing demand for LGP based on optically more advanced matrixes, but it is difficult to estimate when such advanced matrixes will actually gain the upper hand. TC TECH's progress is also closely linked to the rate at which our potential customers develop their own, more advanced matrixes. The response we are getting, however, is confirming our belief in TC TECH's unique technology. We know that TC TECH has what it takes to develop next generation's more sophisticated LGP.

In the third quarter of 2015 TC TECH landed its first order, from a market actor in Taiwan. The delivery was initiated in December 2015, and we expect installation work to be concluded in the first quarter of 2016, according to plan.

Our ambition is to obtain orders for ten systems in 2016, thereby securing a foothold on the market. We are right now busy preparing ourselves for such a development. One of many measures taken is to recruit a key resource: Andreas Lundquist, currently Manager Technical Support Asia at Mycronic. Andreas will join TC TECH in April and take over responsibility for installations and technical support. Further recruitments within installation/support are in the pipeline. In the first week of March, deputy C.E.O. Alexander Luiga will be joining TC TECH. Alexander has many years of experience from business development and sales on the Asian market. His current employment is that of Executive Vice President of the Efore Group.

On 1 March we also expand our facilities in Spånga by some 200 square meters, which will give us access to a total of 650 square meters for R & D, sourcing and sales.

In other words, we consider ourselves well set for the goals we know that TC TECH is fit to reach.

Karlshamn in February 2016

Peter Mattisson, 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

October - December

Net sales amounted to 0 (0) TSEK in the fourth quarter of 2015. Operating loss totalled -5 733 (-912) TSEK, net financial items -26 (-117) TSEK, and net loss -5 759 (-1 029) TSEK. For precautionary reasons, the order obtained in the fourth quarter of the year will not be taken up as revenue until installation has been concluded.

January - December

Net sales amounted to 0 (0) TSEK. Operating loss totalled -8 729 (-2 517) TSEK, net financial items -437 (-450), and net loss -9 166 (-2 967) TSEK.

Financial position

In the fourth quarter of the year, cash flow from operating activities amounted to -399 (-1 306) TSEK, of which -401 (-1 190) TSEK from changes in working capital. Cash flow from investing activities amounted to -3 757 (-2 340) TSEK, of which -91 (-1 107) TSEK attributable to fixed assets and -3 666 (-1 233) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 28 811 (3 521) TSEK, of which 941 (3 496) TSEK attributable to increased borrowings and 27 870 (25) TSEK to new share issues. Total cash flow for the period October to December amounted to 24 654 (-125) TSEK.

Cash flow from operating activities for the full year 2015 amounted to -4 363 (-3 437) TSEK, of which -4 345 (-2 988) TSEK from changes in working capital. Cash flow from investing activities amounted to -8 831 (-8 880) TSEK, of which -91 (-3 230) TSEK attributable to fixed assets and -8 740 (-5 650) TSEK to IPR and

capitalized expenditure for R&D. Cash flow from financing activities totalled 37 930 (11 814) TSEK, of which 10 262 (11 789) TSEK attributable to increased borrowings and 27 668 (25) TSEK to new share issues. The issue completed in August, amounting to 26 000 TSEK and directed to CIMON Enterprise, was set off against a debt and thus had no effect on cash flow. Total cash flow for the year amounted to 24 736 (-504) TSEK.

The company's total liabilities amounted to 11 955 (22 702) TSEK at year-end, of which 5 899 (21 606) TSEK interest bearing. The major creditor was TC TECH's major 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 at year-end amounted to 19 813 TSEK, of which 25 712 TSEK were cash and cash equivalents. On 31 December 2014, the company had net liabilities amounting to 20 631 TSEK, of which 975 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 44 888 (387) TSEK on 31 December 2015, and its equity ratio was 79 % (2 %).

Human resources

As of 31 December 2015, the company had a total number of 14 staff members, of whom 9 were employees. As of 31 December 2014, the company had a total number of 7 staff members, but no 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 less than 10 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 goal is to secure ten orders in 2016.
- 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.

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 year-end

In January 2016, installation work started on the system that was shipped to Taiwan in December 2015. The system is expected to be put into operation in the first quarter of 2016. In the first months of the year, additional key employees have been recruited – among whom a person who will shoulder responsibility for technical support and installations, currently employed by Mycronic Japan. On 1 March, deputy C.E.O. Alexander Luiga will join the company. Alexander has many years of experience from business development and sales in Asia. TC TECH has also expanded its facilities in Spånga, getting access to a total of 650 square meters. Apart from that, no significant circumstances have occurred since year-end.

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. A limited number of the figures reported in the 2014 income statement have been adjusted to comply with the principles adopted by the company when progressing from the status of a pure R&D operation to that of a combined R&D/manufacturing company.

Review

These summarized financial statements 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 30 September 2016 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 Karlshamn, at Pirgatan 13, SE-374 35 KARLSHAMN. Furthermore, the company has operations (mainly R&D) at Domnarvsgatan 4, SE-163 53 SPÅNGA.

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

Financial calendar

Annual General Meeting 2016	26 May 2016
Interim Report as of 31 March 2016	26 May 2016
Interim Report as of 30 June 2016	26 August 2016
Interim Report as of 30 September 2016	25 November 2016

These summarized financial statements, as well as the company's Annual Reports, are available on TC TECH's website www.tctech.se. The Annual Report 2015 will be published on the company's website in the week starting April 25. From then onwards, it will also be available at our head office in Karlshamn.

TC TECH's AGM will be held in Karlshamn at 3 p.m., Thursday 26 May 2016, in the vicinity of the company's offices at Pirgatan 13, Karlshamn. The Board of Directors will propose that no dividend be paid.

Affirmation

TC TECH's Board of Directors and C.E.O. hereby assure that these summarized financial statements give a true and fair view of the company's operations, financial position and performance, and describe the essential risks and uncertainties that the company may encounter.

Karlshamn, 26 February 2016

TC TECH Sweden AB (publ)



Per-Anders Johansson
Chairman of the Board



Sven Löfquist
Director of the Board



Jörgen Brandt
Director of the Board



Cecilia Jinert Johansson
Director of the Board



Peter Mattisson
C.E.O.

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Summarized income statements, TSEK

	3 months Oct – Dec 2015	3 months Oct – Dec 2014	Full year 2015	Full year 2014
Net sales	-	-	-	-
Capitalized R&D expenses	3 316	1 118	7 556	5 176
Other operating income	109	-	126	22
Total operating income	3 425	1 118	7 682	5 198
Other external costs	-6 163	-1 675	-11 849	-6 475
Personnel costs	-1 423	-	-1 593	-
Depreciation	-1 572	-355	-2 969	-1 240
Total operating costs	-9 158	-2 030	-16 411	-7 715
Operating profit/loss	-5 733	-912	-8 729	-2 517
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-26	-117	-437	-450
Profit/loss after net financial items	-5 759	-1 029	-9 166	-2 967
Tax	-	-	-	-
Net profit/loss for the period	-5 759	-1 029	-9 166	-2 967

Summarized balance sheets, TSEK

	2015 31 Dec	2014 31 Dec	2013 31 Dec	2012 31 Dec
Assets				
Intangible fixed assets	23 226	15 635	9 984	4 599
Tangible fixed assets	3 526	5 591	3 601	1 359
Total fixed assets	26 752	21 226	13 585	5 958
Products in progress/for resale	2 221	-	-	-
Current receivables	2 158	888	1 211	605
Cash and bank balances	25 712	975	1 480	722
Total current assets	30 091	1 863	2 691	1 327
Total assets	56 843	23 089	16 276	7 285
Equity and liabilities				
Shareholders' equity	44 888	387	1 828	-550
Interest-bearing liabilities	5 899	21 606	11 317	7 176
Non-interest-bearing liabilities	6 056	1 096	3 131	659
Total equity and liabilities	56 843	23 089	16 276	7 285

Summarized cash flow analyses, TSEK

	3 months Oct – Dec 2015	3 months Oct – Dec 2014	Full year 2015	Full year 2014
Cash flow from operating activities before financial items	-401	-1 190	-4 345	-2 988
Net financial items	2	-116	-18	-450
Cash flow from operating activities	-399	-1 306	-4 363	-3 437
Cash flow from investing activities	-3 757	-2 340	-8 831	-8 880
Cash flow from financing activities	28 811	3 521	37 930	11 814
Cash flow for the period	24 655	-125	24 736	-504
<i>Cash and cash equivalents, opening balance</i>	<i>1 057</i>	<i>1 100</i>	<i>975</i>	<i>1 479</i>
<i>Cash and cash equivalents, closing balance</i>	<i>25 712</i>	<i>975</i>	<i>25 711</i>	<i>975</i>

Data per share ¹⁾

	3 months Oct – Dec 2015	3 months Oct – Dec 2014	Full year 2015	Full year 2014
Earnings per share, SEK ²⁾	-0.75	-0.55	-2.36	-1.69
Earnings per share, SEK, diluted ³⁾	-0.70	-0.55	-2.26	-1.69
Equity per share ²⁾	4.46	0.20	4.46	0.20
Cash flow from operating activities per share, SEK ²⁾	-0.05	-0.66	-1.12	-1.74
Share price on closing day, SEK	38.20	n/a	38.20	n/a
Number of shares on balance sheet day	10 071 550	1 974 137	10 071 550	1 974 137
Number of shares on balance sheet day, diluted ³⁾	10 580 175	1 982 762	10 580 175	1 982 762
Number of shares, weighted average	7 750 898	1 856 069	3 878 232	1 750 940
Number of shares, weighted average, diluted ³⁾	8 259 523	1 874 140	4 063 569	1 777 421

¹⁾ All 2014 figures have been adjusted for the subdivision of shares implemented in August 2015.

²⁾ 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.

³⁾ As of 31 December 2015, the company had two warrant commitments 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 expires on 2017-12-31, the exercise price corresponding to SEK 14 per share. 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. In all, should both warrant commitments be fully exercised, the new shares would correspond to 5.1 % of the total number of issued shares. The warrants have been acquired at market value by persons deemed to be essential for the continued development and success of the company.

Changes in equity, TSEK

	Share capital	Share premium reserve	Retained earnings	Loss for the year	Total equity
1 January 2014	137		3 313	-1 622	1 828
New share issues	21	4			25
Shareholders' contribution			1 500		1 500
Appropriation of last year's loss			-1 622	1 622	-
Loss for the year				-2 966	-2 966
31 December 2014	158	4	3 191	-2 966	387
New share issues	648	55 224			55 872
Bonus issue			-48		-48
Issue expenses			-2 157		-2 157
Appropriation of last year's loss			-2 966	2 966	-
Loss for the year				-9 166	-9 166
31 December 2015	806	55 228	-1 980	-9 166	44 888

In 2015, the company has made three new share issues: one offset issue directed to CIMON Enterprise AB, TC TECH's major shareholder; one bonus issue directed to TC TECH's four original shareholders, and a new share issue in connection with TC TECH's listing on Nasdaq First North. All in all, a total number of 8 097 413 shares were issued in 2015, resulting in a total share capital increase of SEK 647 793. The only share issue that affected the company's cash flow was the one undertaken in connection with the listing.

Key ratios

	3 months Oct – Dec 2015	3 months Oct – Dec 2014	Full year 2015	Full year 2014
Operating margin, %	Neg	Neg	Neg	Neg
Equity/assets ratio, %	79 %	2 %	79 %	2 %
Liquid assets, net (TSEK)	19 813	-20 631	19 813	-20 631
Market capitalization at year-end, TSEK	384 733	n/a	384 733	n/a