

TC TECH

THERMAL CYCLIC TECHNOLOGIES
OF SWEDEN

TC TECH Sweden AB (publ) Summarized Financial Statements 31 December 2016

- Net sales amounted to 0 (0) TSEK in the fourth quarter of 2016.
- Net profit/loss totalled -5 046 (-5 759) TSEK in the fourth quarter of the year.
- Cash flow from operating activities was -3 591 (-399) TSEK in the period from 1 October to 31 December 2016.
- Net sales amounted to 0 (0) TSEK in the full year 2016.
- Net profit/loss totalled -22 816 (-9 166) TSEK in the period from 1 January to 31 December 2016.
- Cash flow from operating activities was -18 727 (-4 129) TSEK in the period from 1 January to 31 December 2016.

Developments after year-end

- TC TECH has passed an important milestone of its development, as the first of the two production systems delivered to Taiwan has now been approved.
- The second of the two systems shipped to Taiwan has reached an equivalent quality status, and will now be fitted with a roll-to-sheet equipment. This product development will be conducted in close cooperation with the customer.

Comments from Alexander Luiga, C.E.O.

We've reached a very important milestone – our first system has been approved!

When writing this, I've just returned from several interesting meetings in China and Taiwan. As I have mentioned before, we have focused on the systems in Taiwan in the past few months. Now, the first of the two systems has been approved by the customer, and the formal change of ownership has taken place. It goes without saying that this is a *very* important milestone for us, and an essential building block for the platform of TC TECH's future growth.

The second production system, the one we shipped to a customer in Taiwan for evaluation, has reached more or less the same stage as the first one. So, now we are proceeding to the next step in our product development, which is to fit the system with our new RtS (roll-to-sheet, an automatic handling equipment that feeds plastic film from a roll into the system). For us, it is a great opportunity to develop our RtS in close cooperation with a customer, as this equipment will make it possible to considerably increase the capacity of the system. As a consequence we will soon be able to supply RtS as a standard add-on, which will strengthen our earning potential. Our ambition is to introduce and consolidate a new technology that means no less than an innovative breakthrough. Therefore, it is of course vital for us to develop any kind of solution that might contribute even further to the customer's own production process and efficiency.

As to the development of standard stampers, on which our customers will be able to stamp the pattern of their wish, we still have some work to do. This is a project conducted in parallel with everything else, as we consider this an important added feature for a large number of future customers. Once we are in a position to offer good-quality standard stampers we are paving the way for our customers while also stimulating sales of our own systems. Also, our stampers will constitute an additional source of income.

With respect to applications other than LGP (Light Guide Plates) we have initiated discussions with potential customers in both Asia and Europe. We have identified considerable potential for TC TECH's future sales development and market diversification, and will tell you more about this in due time.

As mentioned before, there is a strong interest in our technology. Now, with our first production system approved, we will gradually step up our marketing activities. It feels great to have reached this point, and to have validated our technology.

Our most important milestone to date has been reached, and I look forward, with confidence, to continue this promising journey together with our Asian partners.

Spånga in February 2017

Alexander Luiga, 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 2016

Net sales amounted to 0 (0) TSEK in the fourth quarter of 2016. Operating loss totalled -5 028 (-5 733) TSEK, net financial items -18 (-26) TSEK, and net loss -5 046 (-5 759) TSEK.

January - December 2016

Net sales amounted to 0 (0) TSEK in the twelve months of 2016. Operating loss totalled -22 746 (-8 729) TSEK, net financial items -70 (-437) TSEK, and net loss -22 816 (-9 166) TSEK.

Financial position

In the fourth quarter of the year, cash flow from operating activities amounted to -3 591 (-399) TSEK, of which -233 (-401) TSEK from changes in working capital. Cash flow from investing activities amounted to -2 331 (-3 757) TSEK, of which -577 (-91) TSEK attributable to fixed assets and -1 754 (-3 666) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 81 (28 811) TSEK of which -59 (-0) TSEK attributable to amortization of long-term debt, 0 (941) TSEK to increased borrowings, and 140 (27 870) TSEK to new share issues. Total cash flow for the period October to December amounted to -5 841 (24 654) TSEK.

In the period January - December, cash flow from operating activities amounted to -18 727 (-4 129) TSEK, of which -2 980 (1 689) TSEK from changes in working capital. Cash flow from investing activities amounted to -5 505 (-9 065) TSEK, of which -2 162 (-1 034) TSEK attributable to fixed assets and -3 343 (-8 031) TSEK to IPR and capitalized expenditure for R&D. Cash flow from financing activities totalled 13 320 (37 930) TSEK of which -238 (-238) TSEK attributable to amortization of long-term debt, 13 558 (27 668)

TSEK to new share issues, and 0 (10 500) TSEK to increased borrowings. Total cash flow for the twelve months of 2016 amounted to -10 910 (24 736) TSEK.

The company's total liabilities amounted to 9 705 (11 955) TSEK on 31 December 2016, of which 4 615 (5 899) 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 31 December 2016 amounted to 10 186 TSEK, of which 14 801 TSEK were cash and cash equivalents. On 31 December 2015, the company had net liquid assets amounting to 19 813 TSEK of which 25 712 TSEK were cash and cash equivalents.

The company's shareholders' equity amounted to 35 631 (44 888) TSEK on 31 December 2016, and its equity ratio was 79 % (79 %).

Human resources

As of 31 December 2016, the company had a total number of 14 staff members, of whom 11 were employees.

As of 31 December 2015, the company had a total number of 14 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.
- 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 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.
- In due course, TC TECH's technology will expand into other application areas.

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 31 December 2016

In February, TC TECH passed an important milestone as the first of the two production systems delivered to Taiwan was approved. The second of the systems has reached a similar quality level, and will now be outfitted with a roll-to-sheet equipment. This product development will be achieved in close cooperation with the customer.

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

These summarized financial statements have not been reviewed by the company's auditor. 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 2017 will be reviewed by the company's auditor.

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 Bank as its Certified Adviser.

Financial calendar

Annual Report	26 April 2017
Interim Report as of 31 March 2017	18 May 2017
Annual General Meeting	18 May 2017
Interim Report as of 30 June 2017	25 August 2017
Interim Report as of 30 September 2017	23 November 2017

This interim report, other interim reports published since TC TECH's listing in November 2015 and the summarized financial statement as of 31 December 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 18 May, at 15.00 hours, adjacent to the company's own premises at Pirgatan 13 in Karlshamn. 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 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, 23 February 2017

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

Anders Lönner
Director of the Board

Alexander Luiga
C.E.O.

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Summarized income statements, TSEK

	3 months Oct - Dec 2016	3 months Oct - Dec 2015	Full Year 2016	Full year 2015
Net sales	-	-	-	-
Change in inventories of products in progress, finished goods etc.	246	-	1 575	1 486
Capitalized R&D expenses	1 584	3 316	2 854	7 556
Other operating income	-	109	1	126
Total operating income	1 830	3 425	4 429	9 168
Raw materials and consumables	-308	-	-2 095	-1 486
Other external costs	-2 209	-6 163	-8 334	-11 889
Personnel costs	-2 653	-1 423	-9 677	-1 593
Depreciation	-1 688	-1 572	-7 069	-2 929
Total operating costs	-6 858	-9 158	-27 175	-17 897
Operating profit/loss	-5 028	-5 733	-22 746	-8 729
<i>Operating margin %</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>	<i>Neg</i>
Net financial items	-18	-26	-70	-437
Profit/loss after net financial items	-5 046	-5 759	-22 816	-9 166
Tax	-	-	-	-
Net profit/loss for the period	-5 046	-5 759	-22 816	-9 166

Summarized balance sheets, TSEK

	2016 31 Dec	2015 31 Dec	2014 31 Dec
Assets			
Intangible fixed assets	21 385	23 226	15 635
Tangible fixed assets	4 655	3 526	5 591
Total fixed assets	26 040	26 752	21 226
Products in progress/for resale	3 571	2 221	-
Current receivables	924	2 158	888
Cash and bank balances	14 801	25 712	975
Total current assets	19 296	30 091	1 863
Total assets	45 336	56 843	23 089
Equity and liabilities			
Shareholders' equity	35 631	44 888	387
Interest-bearing liabilities	4 615	4 877	21 606
Non-interest-bearing liabilities	5 090	7 078	1 096
Total equity and liabilities	45 336	56 843	23 089

Summarized cash flow analyses, TSEK

	3 months Oct - Dec 2016	3 months Oct - Dec 2015	Full year 2016	Full year 2015
Cash flow from operating activities	-3 591	-399	-18 727	-4 129
Cash flow from investing activities	-2 331	-3 757	-5 505	-9 065
Cash flow from financing activities	81	28 811	13 320	37 930
Cash flow for the period	-5 841	24 655	-10 910	24 736
<i>Cash and cash equivalents, opening balance</i>	<i>20 642</i>	<i>1 056</i>	<i>25 711</i>	<i>975</i>
<i>Cash and cash equivalents, closing balance</i>	<i>14 801</i>	<i>25 711</i>	<i>14 801</i>	<i>25 711</i>

Data per share

	3 months Oct - Dec 2016	3 months Oct - Dec 2015	Full year 2016	Full year 2015
Earnings per share, SEK ¹⁾	-0.47	-0.75	-2.22	-2.36
Earnings per share, SEK, diluted ²⁾	-0.47	-0.75	-2.22	-2.36
Equity per share ¹⁾	3.32	4.46	3.32	4.46
Cash flow from operating activities per share, SEK ¹⁾	-0.33	-0.05	-1.82	-1.06
Share price on closing day, SEK	51.00	38.20	51.00	38.20
Number of shares on balance sheet day	10 738 250	10 071 550	10 738 250	10 071 550
Number of shares on balance sheet day, diluted ²⁾	11 230 175	10 580 175	11 230 175	10 580 175
Number of shares, weighted average	10 729 337	7 750 898	10 287 377	3 878 232
Number of shares, weighted average, diluted ²⁾	11 230 175	8 259 523	10 793 874	4 063 569

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 31 December 2016, the company had one warrant commitment 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 expired on 2017-12-31, the exercise price corresponding to SEK 14 per share. These warrants were exercised in December 2016. 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 (of which 1 375 in the fourth quarter), whereby TC TECH's share capital increased by SEK 1 336, and the number of issued shares by 16 700. As a result, a total of 491 925 warrants now remain to be exercised. In all, should all outstanding warrant commitments be fully exercised, the new shares would correspond to 4.6 % of the total number of issued shares.

Changes in equity, TSEK

	Share capital	Share premium reserve	Retained earnings - P/L for the period	Total equity
1 January 2015	158	4	225	387
New share issue	320	25 755	-	26 075
Bonus issue	48	-	-48	-
Issue expenses	-	-250	-	-250
Loss for the period	-	-	-3 407	-3 407
30 September 2015	526	25 509	-3 230	22 805
New share issue	280	29 470	-	29 750
Issue expenses	-	-1 907	-	-1 907
Loss for the period	-	-	-5 760	-5 760
31 December 2015	806	53 072	-8 990	44 888
New share issues	52	13 366	-	13 418
Loss for the period	-	-	-17 769	-17 769
30 September 2016	858	66 438	-26 759	40 537
New share issue	1	139	-	140
Transfer to development fund	1 017	-	-1 017	-
Loss for the period	-	-	-5 046	-5 046
31 December 2016	1 876	66 577	-32 822	35 631

In 2015, the company 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. In all, 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.

In the period 1 January – 31 December 2016, the company made three new share issues: a directed issue of 650 000 shares subscribed for by Anders Lönner and Länsförsäkringar Kalmar län; one issue of 6 700 shares prompted by the exercise of 6 700 warrants, and in December yet another issue prompted by the exercise of 10 000 warrants.

Key ratios

	3 months Oct - Dec 2016	3 months Oct - Dec 2015	Full year 2016	Full year 2015
Operating margin, %	Neg	Neg	Neg	Neg
Equity/assets ratio, %	79 %	79 %	79 %	79 %
Liquid assets, net (TSEK)	10 186	19 813	10 186	19 813
Market cap, end of period, TSEK	547 651	384 733	547 651	384 733