

# Nexam Chemical Holding AB (publ)

Interim Financial Report 1 January – 31 March 2016

## Strengthened liquidity allows for faster expansion

### The first quarter at a glance

#### Operational:

- NEXAMITE®-order received from DIAB intended for industrial production. Third focus area now commercial.
- Directed share issue provided Nexam Chemical with SEK 129 million before transaction cost as well as additional institutional investors as owners.
- Strategic evaluation initiated on masterbatch production capacity where potential acquisition candidates alternatively partners are analyzed.

#### Financials:

- Net sales for the first quarter totaled SEK 816,000 (513,000). The operating loss for the quarter is reduced by half compared to corresponding period previous year, SEK -5,427,000 (-10,615,000).
- In comparison to the beginning of the year, cash and cash equivalents amounted to SEK 154,813,000 (36,305,000) after the completed share issue.
- Cash flow from operating activities was SEK -3,816,000 (-10,535,000).

### Key events after the end of the period

- Received additional order amounting to SEK 3 million from one of the world's largest pipe manufacturers.

### Key Figures for the Group

Key figures for the Group	Jan-Mar 2016	Jan-Mar 2015	Full year 2015
Net sales (SEK thousand)	816	513	7 842
Operating profit/loss (SEK thousand)	-5 167	-10 615	-23 809
Cash and cash equivalents (SEK thousand)	154 813	51 645	36 305
Cash flow (SEK thousand)	118 574	-10 974	-26 262
Equity (SEK thousand)	168 057	63 732	50 847
Equity per basic share (SEK)	3,10	1,23	0,98
Equity/asset ratio (%)	95,4	84,9	86,7
Total assets (SEK thousand)	176 110	75 106	58 674
Quick ratio (%)	3 019,8	726,1	847,0
Average number of basic shares	54 198 110	51 780 000	51 780 000
Average number of diluted shares	54 687 844	52 572 065	52 496 576
Basic earnings per share (SEK)	-0,09	-0,20	-0,46
Diluted earnings per share (SEK)	-0,09	-0,20	-0,46
Share price on balance sheet date (SEK)	14,45	7,30	12,50

*Note: This Interim Financial Report has been translated from Swedish. The Swedish text shall govern for all purposes and prevail in case of any discrepancy with the English version.*

Comments from the CEO, Anders Spetz

## The first commercial steps taken in all strategic focus areas – Nexam Chemical supplies to industrial production with high customer value.

After another intense quarter, we see that we now have taken the first commercial steps in all three strategic product areas. However, sales were lower than previous quarters and variations can be expected between coming quarters during the expansion phase. Several major deliveries were made during the fourth quarter 2015 and we expect that this will be the case also for the second quarter in 2016.

We have continued to actively pursue existing and new customers in the selected application segments with good results. The knowledge that we have gradually built up, improves our ability when it comes to presenting the right formulations to our clients. It is becoming increasingly clear that the best results are obtained when we deliver our products in the form of masterbatch to the customers. Masterbatch is, simply put, a pre-mix of Nexam Chemicals products in a plastic to simplify the production process for the customer. This ensures that the correct dose of our product is added.

In addition to active customer collaborations, we have also completed a share issue that raised SEK 129 million. This capital is a prerequisite for the expansion of the business we see in front of us. We now have the financial strength necessary to execute our strategic plan, not at least how we deliver masterbatch in the future. Together with external experts, we are now evaluating companies with adequate capacity, expertise and resources to complement our current activities, with the goal to deliver the increasing volumes of masterbatch in the future.

**“This means that we now have received commercial orders in all of our three focus areas.”**

It is still too early to draw any conclusions, but the process may result in strategic partnerships as well as acquisitions of manufacturing businesses. All with the objective to be prepared for future volume growth.

### **Our focus areas**

#### Polyethylene pipes

During the first quarter, the customer who has made most progress in introducing NEXAMITE® in its manufacturing process, produced pipe with the products we delivered at the end of last year. The production yielded good results and showed the expected productivity and performance improvements. As a consequence, yet another order of a polyethylene mixture containing a low dose of NEXAMITE® was placed in April. The order is twice as big as the last one, amounting to SEK three million. We are hopeful that this delivery will be followed by more.

#### Polyester foam, including PET

At the end of the quarter, we received our first order on NEXAMITE® for industrial production of PET-foam. This came from our partner DIAB and means that we now have received commercial orders in all of our three focus areas. Even if the order value from a financial perspective is small, it is a big step forward in our joint development work with DIAB.

We have now showed that our NEXAMITE®-technology provides major property improvements in PET-foam. The market for PET-foams is in strong growth and more products in new application areas are now manufactured in plastic composites instead of metal.

Our current focus within PET-foam is to develop and ensure the capacity to deliver masterbatch to our customers, which is desired by all customers in the highly concentrated market for PET foams.

#### High-performance plastics

Sales of NEXIMID® to high-performance plastics continues at the same pace as the end of last year. So far, sales have largely gone to applications in the aerospace and electronics industries. However, high-performance plastics are not limited to these two areas of application, but can be used in a variety of other segments. During the quarter a number of new customers ordered the product for development projects in various application segments. The initial feedback we have received indicate good results. So also in our, co-financed by EUROSTAR, MATPAX-project that aims to develop polymer materials and manufacturing processes for the production of, for example, thin goods details or metal replacement. A common feature of high-performance plastics is that volumes for each application is relatively small, and development cycles longer and more costly.

#### Lower cost level

We now see the full results of the saving program initiated in the first quarter last year. Since then, we have, on an annual basis, reduced our costs by approximately SEK 8.4 million. The current cost level is on a reasonable level based on where we are right now. We do not intend to slow down the costs further, but will make specific investments in capacity and expertise to move forward and accelerate the company's development.



Anders Spetz, CEO

## This is Nexam Chemical

### **Nexam Chemical**

Nexam Chemical develops technology and products that make it possible to significantly improve the properties and performance of most types of plastics in a cost-effective manner and with the production technology intact. The properties that are improved include temperature resistance and service life. The property improvements that can be achieved by using Nexam Chemical's technology make it possible to replace metals and other heavier and more expensive materials with plastics in a number of different applications. The company was founded in July 2009 after a management buy-out of a crosslinker project from the Perstorp Group. By then, Perstorp had put a number of years into the development of the project, but decided to divest its involvement in the field to instead focus on aldehyde-based chemistry. The Company's head office and laboratory for development of plastic applications are located in Lund, Sweden. New development and formulation evaluation takes place in the chemistry laboratory in St. Andrews, Scotland where also the facility for pilot production is located. Large scale production is performed in collaboration with contract manufacturers.

### **Ongoing partnerships and customer projects**

Since Nexam Chemical's technology was introduced in 2009, a number of development projects and partnerships have been entered into, with a range of parties, of which several are world leaders in their respective niches. These include Armacell, IRPC, The European Van Company and Rolls-Royce. Nexam Chemical works with several of the largest chemical and material companies in the world.

### **Vision and mission**

Nexam Chemical's vision is to be a recognized world leader in the field of property modification of plastic and polymer materials via heat-activated crosslinking.

# Financials

## Sales and profit

Net sales for the first quarter totaled SEK 816,000 (513,000). Other operating income for the quarter amounts to SEK 565,000 (245,000) and refers primarily to grants from Vinnova/Eurostar.

The personnel expenses during the first quarter totaled SEK -3,250,000 (-5,582,000) and other operating expenses totaled SEK -2,239,000 (-4,697,000). The total cost for the period April 2015 to March 2016 amounts to SEK 23,517,000, to be compared with SEK 31,872,000 for the full year of 2014. The profit/loss before tax for the quarter came in at SEK -5,213,000 (-10,520,000).

## Personnel and organization

Compared to the corresponding period last year, the average number of employees have been reduced to 12 (23) whereof 8 (14) in Sweden and 4 (9) in Scotland. The number of employees at the end of the period was twelve.

## Investments

During the quarter, investments in tangible assets totaled SEK 118,000 (271,000).

## Cash flow

The cash flow during the quarter amounted to SEK 118,574,000 (-10,974,000). The positive cash flow is connected to the share issue made in March which provided the Company with SEK 129 million before transaction costs. Cash flow from the operating activities was for the period SEK -3,816,000 (-10,535,000).

## Financial position

Compared to the beginning of the year, the equity/assets ratio was 95 (87) percent, and the equity was SEK 168,057,000 (50,847,000). Cash and cash equivalents amounted to SEK 154,813,000 (36,305,000) compared to the beginning of the year. The long-term interest bearing liabilities includes a bank loan from Handelsbanken in Scotland relating to the operations in Nexam St Andrews Ltd.

## Financial Statements in summary

Income statement for the Group			
(SEK thousand)	Jan-Mar 2016	Jan-Mar 2015	Full year 2015
Net sales	816	513	7 842
Other operating income	565	245	3 425
Raw materials and consumables	-527	-471	-4 329
Personnel expenses	-3 250	-5 582	-15 710
Other operating expenses	-2 239	-4 697	-12 530
Depreciation, amortization & impairment	-532	-623	-2 507
<b>Operating profit/loss</b>	<b>-5 167</b>	<b>-10 615</b>	<b>-23 809</b>
Financial net	-46	95	100
<b>Profit/loss before tax</b>	<b>-5 213</b>	<b>-10 520</b>	<b>-23 709</b>
Income tax	-	-	-
<b>Profit/loss for the period</b>	<b>-5 213</b>	<b>-10 520</b>	<b>-23 709</b>

Balance sheet for the Group		
(SEK thousand)	31 Mar 2016	31 Dec 2015
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	2 018	2 054
Tangible assets	9 838	10 648
Financial assets	280	188
<b>Total non-current assets</b>	<b>12 136</b>	<b>12 890</b>
<b>Current assets</b>		
Inventories	6 040	5 734
Other current assets	3 121	3 745
Cash and bank balance	154 813	36 305
<b>Total current assets</b>	<b>163 974</b>	<b>45 784</b>
<b>Total assets</b>	<b>176 110</b>	<b>58 674</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>168 057</b>	<b>50 847</b>
<b>Liabilities</b>		
Provisions	224	179
Non-current liabilities	2 599	2 922
Current liabilities	5 230	4 726
<b>Total liabilities</b>	<b>8 053</b>	<b>7 827</b>
<b>Total equity and liabilities</b>	<b>176 110</b>	<b>58 674</b>

Statement of changes in equity			
(SEK thousand)	Jan-Mar 2016	Jan-Mar 2015	Full year 2015
Equity at the start of the period	50 847	73 804	73 804
New share issues and subscription rights	129 440	140	631
Issuing costs	-6 670	-	-
Profit/loss for the period	-5 213	-10 520	-23 709
Translation difference	-347	308	121
<b>Equity at the end of the period</b>	<b>168 057</b>	<b>63 732</b>	<b>50 847</b>

Cash flow statement for the group			
(SEK thousand)	Jan-Mar 2016	Jan-Mar 2015	Full year 2015
Cash flow from operating activities before changes in working capital	-4 588	-9 930	-20 997
Changes in working capital	772	-605	-4 058
<b>Cash flow from operating activities</b>	<b>-3 816</b>	<b>-10 535</b>	<b>-25 055</b>
Net cash from investing activities	-118	-271	-616
Net cash from financing activities	122 508	-168	-591
<b>Net cash flow for the period</b>	<b>118 574</b>	<b>-10 974</b>	<b>-26 262</b>
Cash and cash equivalents at start of period	36 305	62 543	62 543
Translation difference in cash & cash equivalents	-66	76	24
<b>Cash and cash equivalents at the end of period</b>	<b>154 813</b>	<b>51 645</b>	<b>36 305</b>

Income statement for parent company			
(SEK thousand)	Jan-Mar 2016	Jan-Mar 2015	Full year 2015
Net sales	1 212	2 018	5 877
Personnel expenses	-1 316	-1 834	-5 823
Other operating expenses	-474	-911	-3 044
<b>Operating profit/loss</b>	<b>-578</b>	<b>-727</b>	<b>-2 990</b>
Financial net	97	231	695
<b>Profit/loss before tax</b>	<b>-481</b>	<b>-496</b>	<b>-2 295</b>
Income tax	-	-	-
<b>Profit/loss for the period</b>	<b>-481</b>	<b>-496</b>	<b>-2 295</b>

Balance sheet for the parent company		
(SEK thousand)	31 Mar 2016	31 Dec 2015
<b>Assets</b>		
<b>Non-current assets</b>		
Financial assets	257 719	254 673
<b>Total non-current assets</b>	<b>257 719</b>	<b>254 673</b>
<b>Current assets</b>		
Other current assets	21 900	20 711
Cash and bank balance	149 209	30 721
<b>Total current assets</b>	<b>171 109</b>	<b>51 432</b>
<b>Total assets</b>	<b>428 828</b>	<b>306 105</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>426 607</b>	<b>304 309</b>
<b>Liabilities</b>		
Provisions	224	179
Current liabilities	1 997	1 617
<b>Total liabilities</b>	<b>1 796</b>	<b>2 045</b>
<b>Total equity and liabilities</b>	<b>306 105</b>	<b>308 649</b>

Lund, 13 May 2016

The Board of Directors

These financial statements have not been audited by the Company's auditor.

## Share capital, shares and ownership

The Company's share capital totals SEK 1,244,692.31, divided into 64,724,000 outstanding shares. The Company only has one class of shares and all shares have equal rights to dividends. The shares of Nexam Chemical Holding AB were listed on NASDAQ Stockholm First North on 23 April 2013. Approximately 8.4 million shares have been turned over during the fourth quarter 2015 and the average price during the period was SEK 12.18 per share.

### Incentive programs

The company has five ongoing incentive programs with a total of 2,674,625 outstanding warrants, which all entitles the holders to subscribe for one new share. All warrants have been issued at market value, calculated according to the "Black Scholes" formula. If all currently outstanding warrants are exercised, the total dilution will be approximately 4.9%. Regarding the first three incentive programs (2009/2016, 2010/2017, 2012/2018), the subsidiary Nexam Chemical AB has issued 7,280 warrants, which each entitles the holders to a right to subscribe for one share in the subsidiary. Nexam Chemical Holding AB (publ) has entered into an agreement with the warrant holders which give the Company the right to acquire any possible subscribed shares in the subsidiary against payment in the form of 182.5034 newly issued in Nexam Chemical Holding AB (publ). In the table below, the option price, exercise price and number of outstanding warrants for these three incentive programs have been recalculated in accordance with this agreement.

For more information and the full terms and conditions of incentive programs 2014/2017 and 2015/2018, please see the resolutions from the Annual General Meetings in 2014 and 2015.

Allotment date	Price per warrant (SEK)	Earliest redemption date	Final due date	Redemption price (SEK)	Outstanding warrants 30 June 2015	Dilution if fully exercised
2009-12-11	0,20	2016-09-15	2016-12-15	5,48	372 307	0,6%
2010-12-20	0,20	2017-09-15	2017-12-15	5,48	419 758	0,6%
2012-11-01	0,11	2018-10-01	2018-12-31	10,96	536 560	0,8%
2014-10-31	0,20	2017-09-25	2017-10-09	35,20	700 000	1,1%
2015-06-17	0,76	2018-09-03	2018-09-17	13,00	646 000	1,0%
					<b>2 674 625</b>	<b>4,0%</b>

### Shareholders

The number of shareholders as of 31 March 2016 was 8,383, a decrease of 148 shareholders during the first quarter.

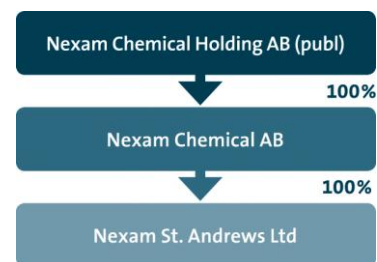
Shareholders <sup>1</sup>	Shares	Percent
Försäkringsbolaget, Avanza Pension	6 319 590	9,8%
SIX SIS AG	4 903 000	7,6%
Handelsbanken Fonder	3 000 000	4,6%
Länsförsäkringar Småbolag Sverige	2 400 000	3,7%
Lennart Holm, privately and via company	2 101 596	3,2%
Nordnet Pensionsförsäkring AB	1 948 596	3,0%
Danske Invest Sverige Fokus	1 900 000	2,9%
Danske Bank International S.A.	1 800 384	2,8%
Daniel Röme, via company	1 500 237	2,3%
JP Morgan Bank	1 277 050	2,0%
Other shareholders (approx. 8 400)	37 573 547	58,1%
<b>Total</b>	<b>64 724 000</b>	<b>100,0%</b>

<sup>1</sup> Nexam Chemicals ten largest owners according to the register of shareholders managed by Euroclear. For persons registered as insiders, the shareholder list includes the total holdings for the insider, including holdings which are held privately, through company and within the family. For persons which were deregistered as insiders in July 2015, only each separately registered holding in the register of shareholders has been considered for the shareholder list.



## Group structure and additional information

Nexam Chemical Holding AB is a Swedish public limited liability company and its corporate ID no. is 556919-9432. The group of companies consists of Nexam Chemical Holding AB (publ), wholly-owned subsidiary Nexam Chemical AB (corporate ID no. 556784-6711) and Nexam Chemical AB's subsidiary in Scotland, Nexam St. Andrews Ltd. (corp. ID no. SC410830).



## Accounting policies

Nexam Chemical applies the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 (K3) in the preparation of their financial statements. The accounting policies applied are the same as those used in

the 2014 Annual Report. For more information, see the Group's 2014 Annual Report. This interim report has been prepared according to BFNAR 2007:1.

## Risks and uncertainties

The Group's operations are affected by a number of factors which can result in a risk for the Group's operations and profit. See the company description on

Nexam Chemical's website and the Annual Report for 2015 for information about the Company's risks and uncertainties.

## Estimates and judgements

In order to be able to prepare the financial statements, the Board of Directors and the Management make judgements and assumptions on the basis of available information that impact the company's financial performance and financial position.

can be reasonably expected under prevailing conditions. The actual outcome may differ from the judgements made. The areas where estimates and assumptions could lead to a significant risk of adjustments to the figures reported for the company's financial performance, and position in future reporting periods, are primarily judgements about market conditions and thus the value of the Group's non-current assets.

Estimates and judgements are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations about future events that

## Financial calendar

18 Aug 2016	Interim Report January -June 2016
8 Nov 2016	Interim Report January -September 2016
16 Feb 2017	2016 Year-End-Report

Interim reports are available on [www.nexamchemical.com](http://www.nexamchemical.com).

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