

Nexam Chemical Holding AB (publ)

Interim Financial Report 1 January – 30 June 2016

Increased sales in the quarter

Second quarter at a glance

Operational:

- Additional order from, and delivery to, one of the world's largest pipe manufacturers amounting to SEK 3 million.
- The recruitment of Johan Arvidsson as Chief Sales Officer further strengthens Nexam Chemicals sales organization in the ongoing commercialization phase.

Financials:

- Net sales for the second quarter totaled SEK 4,242,000 (619,000).
- The operating loss for the second quarter SEK -6,135,000 (-5,646,000).
- In comparison to the beginning of the year, cash and cash equivalents amounted to SEK 147,051,000 (36,305,000).
- Cash flow from operating activities was SEK -7,126,000 (-6,647,000).

Key Figures for the Group

Key figures for the Group	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Net sales (SEK thousand)	4 242	619	5 058	1 132	7 842
Operating profit/loss (SEK thousand)	-6 135	-5 646	-11 302	-16 261	-23 809
Cash and cash equivalents (SEK thousand)	147 051	44 931	147 051	44 931	36 305
Cash flow (SEK thousand)	-7 722	-6 737	110 852	-17 711	-26 262
Equity (SEK thousand)	161 546	58 721	161 546	58 721	50 847
Equity per basic share (SEK)	2,50	1,13	2,72	1,13	0,98
Equity/asset ratio (%)	94,0	85,6	94,0	85,6	86,7
Total assets (SEK thousand)	171 941	68 565	171 941	68 565	58 674
Quick ratio (%)	1 998,7	804,0	1 998,7	804,0	847,0
Average number of basic shares	64 724 000	51 780 000	59 461 055	51 780 000	51 780 000
Average number of diluted shares	65 250 669	52 572 065	59 967 001	52 572 065	52 496 576
Basic earnings per share (SEK)	-0,10	-0,11	-0,19	-0,31	-0,46
Diluted earnings per share (SEK)	-0,10	-0,11	-0,19	-0,31	-0,46
Share price on balance sheet date (SEK)	11,00	8,40	11,00	8,40	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

Production and sales of NEXAMITE® - masterbatch initiated

Our activities during the second quarter have continued at high and unchanged rate. The overall product sales for the Company's three focus areas during the second quarter were the highest so far. As the Company is still in a development stage, relatively large variations from quarter to quarter can be expected over the coming period.

During the quarter, intensive work has been done to evaluate appropriate manufacturers that, going forward, can ensure our and our customer's need of commercial masterbatch volumes. As a result of this process, we have selected a limited number of manufacturers who meet our criteria's. We now intend to go into further discussions with these companies concerning different types of cooperation. Limited masterbatch production has already begun at some of these selected companies. We have not yet determined in what form the cooperation will take place, but so far we have not excluded neither strategic partnerships nor acquisitions.

In August, Johan Arvidsson assumed his position as Chief Sales Officer. This is a clear strengthening of the sales and marketing organization, all in line with the existing expansion plans. Johan has extensive experience from commercialization of products in the chemical industry. With Johan on the team, Nexam Chemicals sales focus will be even stronger.

“...second quarter were the highest so far.”

Our focus areas

Polyethylene pipes

During the second quarter we received and delivered yet another order to our pipe manufacturing customer, one of the largest in its industry. The delivered value amounted to approximately SEK 3 million, which is twice as much compared to the previous delivery. The delivery was a polyethylene mix with NEXAMITE® in low dosage.

The fact that we once again deliver to this customer shows that our technology and product quality meets the criteria required to supply to large international companies. During the quarter we continued our close cooperation with this customer to enable both for increased deliveries to the plant in question but also to prepare for sales to the customer's other manufacturing plants.

In parallel, we have continued to work with several other international actors in the polyethylene pipe industry. Together with these companies we have conducted tests that so far have shown very positive and similar results as with our current customer. This opens up for new business opportunities and therefore we see good potential over time to add further commercial customers to this focus area. With the experience from our existing commercial customer we see, however, that more tests and validations will be required before we are there.

Within the focus area of pipes we also have initiated a development project in cooperation with one of the world's largest pipe manufacturers. The project aims to replace existing technology by including NEXAMITE® in the pipes. Nexam Chemicals solutions can provide improvements in both the working environment and the external environment as well as higher cost efficiency for the customer. The application area in question is highly regulated and will require extensive testing and certification by the authorities before the customer's new product can be launched on the market.

Polyester foam, including PET

Our collaborations on polyester foam now includes all market leading manufacturers of high performance foams in the world. During the quarter we have delivered masterbatches containing NEXAMITE® to our customers. The production of these masterbatches have taken place in-house, but foremost by partners that we have identified during our evaluation process. Application tests are in full progress at the customers' facilities, both in pilot

scale as well as in full scale. We expect to see the final results from a number of customers during the autumn.

High-performance plastics

Sales to high-performance plastics and NEXIMID® continues at the same rate as before, even if we see a marginal increase during the quarter. We now see that we have more customers who order on regular basis. The number of customers who purchase commercial volumes on a regular basis according to the criteria in our business model has increased from one to three. A large number of customers are now testing our products for several different types of applications. These evaluations are in various stages of development. It should be noted that the development cycles of these plastics are longer than those of the other focus areas.

Together with Evonik we have, within the framework of our cooperation, initiated a number of marketing activities and customer interaction are in progress. Our companies jointly market Evoniks dianhydrides and Nexam Chemicals NEXIMID®-portfolio to companies working with polyimides, which is a growing market. Evoniks and Nexam Chemicals technology and expertise complement each other, giving customers greater opportunity to achieve the properties they seek in their products.

The development project MATPAX, partly financed by the EU and conducted together with two partners, is approaching halfway through the project. The project is proceeding according to plan and so far delivered the expected results. The aim is to develop polymeric materials and manufacturing processes that may partially replace metal.

Overall, during the quarter we have received further confirmation that our technology works. Our strong financial position enable us to put full focus on the ongoing commercialization as well as the implementation of our growth strategy.

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. 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 second quarter totaled SEK 4,242,000 (619,000). Other operating income for the quarter amounts to SEK 537,000 (1,606,000) and refers primarily to grants from Vinnova/Eurostar.

The personnel expenses during the first quarter totaled SEK -4,261,000 (-3,645,000) and other operating expenses totaled SEK -3,050,000 (-3,377,000). Expenses have increased slightly compared to previous quarters, which is linked to the ongoing strategic evaluation regarding sourcing of masterbatch. The total cost for the period July 2015 to June 2016 amounts to SEK 23,806,000, 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 -6,177,000 (-5,578,000).

Personnel and organization

Compared to the corresponding period last year, the average number of employees have been reduced to 12 (19) whereof 8 (12) in Sweden and 4 (7) in Scotland. The number of employees at the end of the period was twelve.

Investments

During the quarter, investments in tangible assets totaled SEK 82,000 (259,000).

Cash flow

The cash flow during the quarter amounted to SEK -7,722,000 (-6,737,000). Cash flow was negatively affected by the increased accounts receivables due to increased sales. Cash flow from the operating activities was for the period SEK -7,126,000 (-6,647,000).

Financial position

Compared to the beginning of the year, the equity/assets ratio was 94 (87) percent, and the equity was SEK 161,546,000 (50,847,000). Cash and cash equivalents amounted to SEK 147,051,000 (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)	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Net sales	4 242	619	5 058	1 132	7 842
Other operating income	537	1 606	1 102	1 851	3 425
Raw materials and consumables	-3 076	-177	-3 603	-648	-4 329
Personnel expenses	-4 261	-3 645	-7 511	-9 227	-15 710
Other operating expenses	-3 050	-3 377	-5 289	-8 074	-12 530
Depreciation, amortization & impairment	-527	-672	-1 059	-1 295	-2 507
Operating profit/loss	-6 135	-5 646	-11 302	-16 261	-23 809
Financial net	-42	68	-88	163	100
Profit/loss before tax	-6 177	-5 578	-11 390	-16 098	-23 709
Income tax	-	-	-	-	-
Profit/loss for the period	-6 177	-5 578	-11 390	-16 098	-23 709

Balance sheet for the Group					
(SEK thousand)			30 Jun 2016	30 Jun 2015	31 Dec 2015
Assets					
Non-current assets					
Intangible assets			1 981	2 127	2 054
Tangible assets			9 211	12 441	10 648
Financial assets			273	68	188
Total non-current assets			11 465	14 636	12 890
Current assets					
Inventories			5 659	6 617	5 734
Other current assets			7 766	2 381	3 745
Cash and bank balance			147 051	44 931	36 305
Total current assets			160 476	53 929	45 784
Total assets			171 941	68 565	58 674
Equity and liabilities					
Equity			161 546	58 721	50 847
Liabilities					
Provisions			282	-	179
Non-current liabilities			2 367	3 958	2 922
Current liabilities			7 746	5 886	4 726
Total liabilities			10 395	9 844	7 827
Total equity and liabilities			171 941	68 565	58 674

Statement of changes in equity					
(SEK thousand)	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Equity at the start of the period	168 057	63 732	50 847	73 804	73 804
New share issues and subscription rights	-	465	129 440	605	631
Issuing costs	-212	-	-6 882	-	-
Profit/loss for the period	-6 177	-5 578	-11 390	-16 098	-23 709
Translation difference	-122	102	-469	410	121
Equity at the end of the period	161 546	58 721	161 546	58 721	50 847

Cash flow statement for the group					
(SEK thousand)	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Cash flow from operating activities before changes in working capital	-5 477	-4 931	-10 065	-14 861	-20 997
Changes in working capital	-1 649	-1 716	-877	-2 321	-4 058
Cash flow from operating activities	-7 126	-6 647	-10 942	-17 182	-25 055
Net cash from investing activities	-51	-259	-169	-530	-616
Net cash from financing activities	-545	169	121 963	1	-591
Net cash flow for the period	-7 722	-6 737	110 852	-17 711	-26 262
Cash and cash equivalents at start of period	154 813	51 645	36 305	62 543	62 543
Translation difference in cash & cash equivalents	-40	23	-106	99	24
Cash and cash equivalents at the end of period	147 051	44 931	147 051	44 931	36 305

Income statement for parent company					
(SEK thousand)	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Net sales	3 404	2 070	4 616	4 088	5 877
Personnel expenses	-2 299	-1 632	-3 615	-3 466	-5 823
Other operating expenses	-1 273	-992	-1 747	-1 903	-3 044
Operating profit/loss	-168	-554	-746	-1 281	-2 990
Financial net	97	223	194	454	695
Profit/loss before tax	-71	-331	-552	-827	-2 295
Income tax	-	-	-	-	-
Profit/loss for the period	-71	-331	-552	-827	-2 295

Balance sheet for the parent company			
(SEK thousand)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Assets			
Non-current assets			
Financial assets	261 780	248 490	254 673
Total non-current assets	261 780	248 490	254 673
Current assets			
Other current assets	27 924	18 489	20 711
Cash and bank balance	140 967	40 993	30 721
Total current assets	168 891	59 482	51 432
Total assets	430 671	307 972	306 105
Equity and liabilities			
Equity	426 338	305 777	304 309
Liabilities			
Provisions	282	-	179
Current liabilities	4 051	2 195	1 617
Total liabilities	4 333	2 195	1 796
Total equity and liabilities	430 671	307 972	306 105

Lund, 18 August 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 6.3 million shares have been turned over during the second quarter 2016 and the average price during the period was SEK 12.74 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 2016	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%
					2 674 625	4,0%

Shareholders

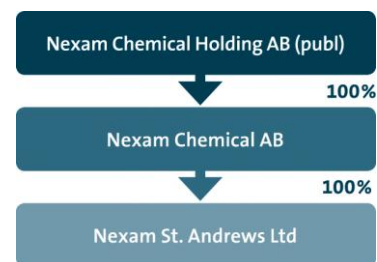
The number of shareholders as of 30 June 2016 was 8,290, a decrease of 93 shareholders during the second quarter.

Shareholders ¹	Shares	Percent
Försäkringsbolaget, Avanza Pension	6 667 663	10,3%
SIX SIS AG	5 414 440	8,4%
Handelsbanken Fonder	3 000 000	4,6%
Länsförsäkringar Småbolag Sverige	2 346 782	3,6%
Lennart Holm, privately och via company	2 101 596	3,2%
Nordnet Pensionsförsäkring AB	1 948 718	3,0%
Danske Invest Sverige Fokus	1 900 000	2,9%
Daniel Röme, via company	1 500 237	2,3%
JP Morgan Bank	1 277 050	2,0%
Michael Karlsson	947 942	1,5%
Other shareholders (approx. 8 300)	37 619 572	58,1%
Total	64 724 000	100,0%

¹ 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 2015 Annual Report. For more information, see the Group's 2015 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 annual report for 2015 on

Nexam Chemical's website 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

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

Interim reports are available on www.nexamchemical.com.

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