

Nexam Chemical Holding AB (publ)

Interim Report 1 January – 31 March 2017

Solid base for growth in PET-foam

First quarter at a glance

Operational:

- Supply agreement signed with Armacell regarding the NEXAMITE®-technology and related products for the production of PET-based foam.
- Additional outsourcing concerning volume production of masterbatch at a new contract manufacturer.

Financials:

- Net sales for the first quarter totaled SEK 2,336,000 (816,000).
- The operating loss for the firsts quarter SEK -4,933,000 (-4,706,000).
- In comparison to the beginning of the year, cash and cash equivalents amounted to SEK 124,785,000 (133,147,000).
- Cash flow from operating activities was SEK -7,163,000 (-3,240,000).

Key events after the end of the period

- Nexam Chemical approved for listing on Nasdaq First North Premier after transition to the accounting standard IFRS and applying to Swedish Corporate Governance Code.

Key Figures for the Group

	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Net sales (SEK thousand)	2 336	816	8 268
Operating profit/loss (SEK thousand)	-4 933	-4 706	-21 923
Cash and cash equivalents (SEK thousand)	124 785	154 813	133 147
Cash flow (SEK thousand)	-8 361	118 574	97 005
Equity (SEK thousand)	159 244	183 979	164 231
Equity per basic share (SEK)	2,46	2,84	2,54
Equity/asset ratio (%)	95	96	94
Total assets (SEK thousand)	167 975	191 851	173 884
Quick ratio (%)	1 902	3 020	1 857
Average number of basic shares	64 724 000	54 198 110	62 106 907
Average number of diluted shares	64 724 000	54 687 844	62 106 907
Basic earnings per share (SEK)	-0,08	-0,09	-0,36
Diluted earnings per share (SEK)	-0,08	-0,09	-0,36
Share price on balance sheet date (SEK)	12,65	14,45	12,25

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

Yet another supply agreement secured

During the first quarter of the year we have seen increased business within all focus areas. It is gratifying that we, through the supply agreement with Armacell, now have agreements with two of the four largest manufacturers of high performance PET-foam in the world.

Sales in the quarter increases slightly compared to the fourth quarter, but a large increase compared to the corresponding period last year. Sales mainly consists of deliveries within the high performance area and products for production of PET-foam. Sales of products for polyethylene pipes is not in line with our plan, primarily caused by lack of capacity at our subcontractor during the quarter. Sales will, as previously communicated, still vary between quarters. For the coming quarters we see good possibilities that sales within the area will increase.

Foam of polyester (incl. PET)

The largest success during the quarter is of course the supply agreement signed with Armacell. The long and time consuming collaboration that we have had with Armacell starts to pay off. Together we have succeeded in developing a PET-foam that, with our NEXAMITE®-technology, provide large property enhancements and add customer value. With NEXAMITE® the performance required by sectors like energy, automotive and transportation can be achieved. Our technology enable, for example, increased use of recycled PET, an important driver in a growing market where sustainability is increasingly becoming a competitive asset.

“We now have a solid base to stand on for growth within the focus area foam.”

We now have a solid base to stand on for growth within the focus area foam. Diab and Armacell are expected to gradually phase in new products on the market containing products with NEXAMITE®.

The success within the focus area is based on the masterbatch. We have made extensive work on developing the masterbatch concept and have now managed to deliver our technology in a package that will help the customers to secure high productivity.

Polyethylene pipe

Of our three focus areas, the polyethylene pipe is not yet keeping up with the other two when it comes to sales. Even if the progress is slow, we still see that things are moving forward which makes us optimistic for the future and we strongly believe in the application area. Shortly we will deliver a polyethylene mix containing NEXAMITE® to a customer for the production of commercial orders to end-customer. The buyer is the same as before, but we are very pleased that the shipment will be delivered to a new production facility that this international customer is running. Having a customer introducing our products to yet another production facility is a confirmation that our product works and can deliver improvements in their end-products.

In parallel we continue to work with the evaluation and testing together with other users and meeting with new potential customers.

As an example we can mention that we together with a leading manufacturer are in the midst of developing the next generation of polyethylene pipe with completely new performance. A very exciting and long-term project with the potential to change that part of the market.

High performance

The largest part of our sales is still generated from the high performance segment where we see continuously increased deliveries. Deliveries on the previously communicated order of SEK 5.4 million is following according to plan, but we have also received additional orders from new customers. Overall, taking into account existing and new customers, together with ongoing discussions, we expect to see an interesting growth going forward.

We have delivered NEXIMID®-products and have started an in-depth dialogue with a customer developing high performance composites for the next generation of civil aviation. The development project, following aviation industry methodology, is still in an early phase and continuous sales are still a few years ahead, but the potential is large.

Development

The activities in our plastic laboratory has been high during the first quarter. The focus have mainly been on refining, improving and developing new forms of masterbatch to our customers. And the work have paid off! During the quarter we have been able to verify, in our own quality and control tests, that we can package yet another of our highly potent molecules as masterbatch formulations. These new masterbatch products will make it easier for plastic converters to apply Nexam Chemicals technology in their daily production and ensure maximum functionality. This progress creates possibilities for Nexam Chemicals technology to be used in a variety of new applications.

Supply chain

The work with establishing and ensure well-functioning supply chain processes has continued with the aim of managing increased order volumes. During the quarter we have been able to outsource additional masterbatch for volume production to a new partner. We have worked with securing the sourcing of our raw material and continued to build on our logistic network to ensure cost-effective and fast deliveries directly from our contract manufacturers to our customers.

List change

During the last six months gone through a process of quality assurance of our corporate governance model to fulfill the requirement of stricter regulations for companies listed on regulated market. As a result we now apply to the Swedish Corporate Governance Code ("the Code"), developed by the industry to secure that listed companies are managed in a responsible and efficient way.

We have also in connection to the publication of the annual report for 2016 made a transition to the international accounting standards, IFRS. With these changes implemented we fulfill the requirements for listing on Nasdaq First North Premier. The listing requirements are in line with the regulation for listing on Nasdaq Stockholm. It is a sign of quality that Nasdaq has approved our application of moving to Nasdaq First North Premier and the change of list enables for further institutional owners. We see this as a natural step towards a listing on regulated market.

JEC-fare trade

Our presence at the trade fare JEC resulted in many promising interactions with companies working within the area of composites. In addition to new business opportunities, it also gave us new valuable insight into where the industry is heading. Based on this, we see, long-term great opportunities for Nexam Chemical to contribute in the next step in civilian and automotive development towards reducing weight using composite materials. A lot have already been done with regards to simpler applications, but now the development is moving on and more emphasis is being placed on replacing various metal materials with composites in the hotter areas of the engine as well as in demanding body parts. We are convinced that Nexam Chemicals technology will be very relevant in this area.

We are now looking forward to Nexam Chemical's Annual General Meeting on May 16, where we hope to meet many of our shareholders. Together we create satisfied customers and profitable growth.

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.

Financial comments

Sales and profit

Net sales for the first quarter totaled SEK 2,336,000 (816,000). Other operating income for the quarter amounts to SEK 135,000 (402,000) and refers primarily to grants from Vinnova/Eurostar.

The personnel expenses during the first quarter totaled SEK -3,585,000 (-2,891,000) and other operating expenses totaled SEK -2,163,000 (-1,896,000). The profit/loss before tax for the quarter came in at SEK -4,965,000 (-4,752,000). During the quarter, other operating expenses and personnel expenses connected to development costs has been balanced with a total amount of SEK 999,000 (649,000).

Personnel and organization

Compared to the corresponding quarter last year, the average number of employees have increased to 14 (12) whereof 9 (8) in Sweden and 5 (4) in Scotland. The number of employees at the end of the period was fourteen.

Investments

The total investment in intangible assets during the quarter amounts to SEK 960,000 (539,000). Of these, SEK 800,000 (486,000) concerns development costs balanced

in the balance sheet. Investments in tangible assets amount to SEK 0 (64,000).

Cash flow

The cash flow from the operating activities during the quarter amounted to SEK -7,163,000 (-3,240,000). The increased inventory has affected the cash flow negatively with SEK -2,216,000 (-421,000). Total cash flow amounts to SEK -8,361,000 (118,574,000), where the cash flow in the previous year was positively affected by the share issue of SEK 122,770,000 after transaction costs.

Financial position

Compared to the beginning of the year, the equity/assets ratio was 95 (94) percent, and the equity was SEK 159,244,000 (164,231,000). Cash and cash equivalents amounted to SEK 124,785,000 (133,147,000) 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.

Other information

Group structure

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

The Group applies International Financial Reporting Standards (IFRS), as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act. The

parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The accounting policies and calculation methods applied are consistent with those described in the annual report for 2016. New standards and interpretations that came into force on January 1, 2017 have not had any impact on Nexam Chemical's financial reporting for the interim report period.

Financial instruments. Nexam Chemical does not hold any financial instruments measured at fair value. The warrants held in the subsidiary Nexam Chemical AB are classified as "Financial assets available for sale" and should normally be measured at fair value through other comprehensive income. In the absence of a reliable fair value valuation,

the warrants are valued at its acquisition value, SEK 2,783000.

Segment reporting. Financial information reported to the chief operating decision maker (CEO) as the basis for allocating resources and judging the group's profit or loss is not divided into different operating segments. Therefore the group consists of a single operating segment and reference is made to the income statement and balance sheet regarding operating segment reporting

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 2016 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.

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

Audit review

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

The Board of Directors and the Chief Executive Officer certify that the interim report provides a true and fair view of the parent company's and the Group's business, financial position and performance and describes material risks and uncertainties to which the parent company and the companies in the group are exposed.

Lund 10 May 2017

Lennart Holm
Chairman of the Board

Cecilia Jinert Johansson
Member of the Board

Daniel Röme
Member of the Board

Per-Ewe Wendel
Member of the Board

Anders Spetz
CEO

Financial Statements in summary

Consolidated income statement in summary			
(SEK '000)	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Net sales	2,336	816	8,268
Changes in goods in progress, finished goods and work in progress	2,209	306	237
Other operating income	135	402	1,020
	4,680	1,524	9,525
Operating expenses			
Raw materials and consumables	-3,227	-833	-4,679
Operating expenses	-2,163	-1,896	-9,191
Personnel cost	-3,585	-2,891	-15,065
Depreciation and write-down of tangible and intangible assets	-587	-610	-2,438
Other operating expenses	-51	-	-75
Operating profit/loss	-4,933	-4,706	-21,923
Financial items			
Financial income	-	-	-
Financial costs	-32	-46	-162
Profit/loss before tax	-4,965	-4,752	-22,085
Income tax	-	-	-
Profit/loss for the period	-4,965	-4,752	-22,085
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Translation differences on foreign subsidiaries	-22	-347	568
<i>Sum of other comprehensive income, net after tax</i>	-22	-347	568
Comprehensive result for the period	-4,987	-5,099	-21,517
The profit for the year as well as comprehensive income are wholly attributable to the parent company's shareholders.			
Earnings per share (SEK)			
Basic earnings per share (SEK)	-0.08	-0.09	-0.36
Diluted earnings per share (SEK)	-0.08	-0.09	-0.36
Average number of basic shares	64,724,000	54,198,110	62,106,907
Average number of diluted shares	64,724,000	54,687,844	62,106,907

Consolidated balance sheet in summary			
(SEK '000)	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Intangible assets	19,736	17,939	18,889
Tangible assets	8,200	9,838	8,710
Financial assets	2,789	100	2,788
Inventory	8,180	6,041	5,971
Trade receivables	843	805	1,754
Other receivables	3,442	2,315	2,625
Cash and bank	124,785	154,813	133,147
TOTAL ASSETS	167,975	191,851	173,884
EQUITY AND LIABILITIES			
Equity	159,244	183,979	164,231
Long-term debt with interest	1,863	2,599	2,176
Provisions for pension	82	44	73
Short term debt with interest	1,202	1,113	1,152
Trade payables	1,127	786	1,262
Other liabilities	4,457	3,330	4,990
TOTAL EQUITY AND LIABILITIES	167,975	191,851	173,884

Consolidated changes in equity in summary			
(SEK '000)	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Balance at the beginning of the period	164,231	66,307	66,307
Profit/loss for the period	-4,965	-4,752	-22,085
Other comprehensive income	-22	-347	-568
Transactions with shareholders	-	122,771	120,577
Balance at the end of the period	159,244	183,979	164,231

Consolidated cash flow in summary			
(SEK '000)	Jan-Mar 2016	Jan-Mar 2016	Full year 2016
Cash flow from operating activities			
Operating income	-4,933	-4,706	-21,923
Adjustment from non-cash items	557	661	2,638
Cash flow from operations before changes in working capital	-4,376	-4,045	-19,285
Changes in working capital	-2,787	805	1,700
Cash flow from operations	-7,163	-3,240	-17,585
Cash flow from investment activities	-960	-659	-6,842
Cash flow from financing activities	-238	122,473	121,432
Cash flow for the period	-8,361	118,574	97,005
Cash and cash equivalents at the beginning of the period	133,147	36,305	36,305
Effect of exchange rate changes on cash	-1	-66	-163
Cash and cash equivalents at end of period	124,785	154,813	133,147

Parent company - Income statement in summary			
(SEK '000)	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Net sales	1,427	1,212	7,878
	1,427	1,212	7,878
Operating expenses			
Operating expenses	-978	-474	-4,123
Personnel cost	-1,719	-1,316	-8,055
Depreciation and write-down of tangible and intangible assets	-2,000	-	-
Operating profit/loss	-3,270	-578	-4,300
Financial items			
Interest income and other similar profit items	-	-	-
Interest income from group companies	-	97	390
Interest expenses and other similar loss items	-	-	-1
Profit/loss before tax	-3,270	-481	-3,911
Income tax	-	-	-
Profit/loss for the period	-3,270	-481	-3,911

Parent company - Statement of comprehensive income			
(SEK '000)	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Profit/loss for the period	-3,270	-481	-3,911
Other comprehensive income	-	-	-
Comprehensive profit for the period	-3,270	-481	-3,911

Parent company - Balance sheet in summary			
(SEK '000)	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Financial assets	284,321	257,719	284,285
Receivables from group companies	18,973	21,704	17,189
Other receivables	265	196	153
Cash and bank	119,836	149,209	124,985
TOTAL ASSETS	423,395	428,828	426,612
EQUITY AND LIABILITIES			
Equity	419,686	426,607	422,956
Provisions for pension	418	224	373
Trade payables	362	466	296
Other liabilities	2,929	1,531	2,987
TOTAL EQUITY AND LIABILITIES	423,395	428,828	426,612

Note 1 - Intangible assets

(SEK '000)	Development costs	Patents
Accumulated cost		
Opening balance 1 January 2017	15,990	5,754
Additions	885	160
Closing balance 31 March 2017	16,875	5,914
Accumulated depreciation		
Opening balance 1 January 2017	-1,755	-1,100
Expensed depreciation for the period	-113	-
Capitalized depreciation for the period	-	-85
Closing balance 31 March 2017	-1,868	-1,185
Residual value 31 March 2017	15,007	4,729
Accumulated cost		
Opening balance 1 January 2016	13,956	5,635
Additions	2,034	213
Impaired value	-	-94
Closing balance 31 December 2016	15,990	5,754
Accumulated depreciation		
Opening balance 1 January 2016	-1,303	-774
Expensed depreciation for the period	-452	-5
Capitalized depreciation for the period	-	-340
Impaired value	-	19
Closing balance 31 December 2016	-1,755	-1,100
Residual value 31 December 2016	14,235	4,654

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 7.6 million shares have been turned over during the first quarter 2017 and the average price during the period was SEK 12.33 per share.

Incentive programs

The company has two ongoing incentive programs with a total of 1,346,000 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 2.0 %.

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 31 December 2016	Dilution if fully exercised
2014-10-31	0.20	2017-09-25	2017-10-09	35.20	700,000	1.0 %
2015-06-17	0.76	2018-09-03	2018-09-17	13.00	646,000	1.0 %
					1,346,000	2.0 %

Warrants in the subsidiary

During the fourth quarter 2016 Nexam Chemical Holding AB acquired all 7,280 warrants previously issued by the subsidiary Nexam Chemical AB. It is the Boards intention to use the warrants and subscribe for the shares in the subsidiary when the redemption period runs for each respective warrant. The first 2,040 warrants was redeemed and the shares subscribed in December 2016. For more information see the resolution from the Extraordinary General Meeting on October 28, 2016.

Shareholders

The number of shareholders as of 31 March 2017 was 7,558, a decrease of 245 shareholders during the first quarter.

Shareholders	Shares	Percent
Försäkringsbolaget, Avanza Pension	7,812,580	12.1 %
SIX SIS AG	5,726,963	8.8 %
Handelsbanken Svenska Småbolag	3,000,000	4.6 %
Länsförsäkringar Småbolag Sverige	2,346,782	3.6 %
Lennart Holm, privately and via company	2,101,596	3.2 %
DI Sverige Fokus	1,954,099	3.0 %
Nordnet Pensionsförsäkring AB	1,596,462	2.5 %
Daniel Röme, via company	1,500,237	2.3 %
Goldman Sachs International Ltd	1,418,973	2.2 %
Michael Karlsson	947,942	1.5 %
Other shareholders (approx. 7,600)	36,318,366	56.1 %
Total	64,724,000	100.0%

Annual General Meeting

The Annual General Meeting (AGM) of Nexam Chemical Holding AB (publ) will be held on Tuesday, 16 May 2017, at 3:00 pm, at Elite Hotel Ideon, Scheelevägen 27 in Lund, Sweden. Admission for registration from 2.00 pm.

Shareholders wishing to attend the AGM must,

- first, be listed in the share register kept by Euroclear Sweden AB on Wednesday, May 10 2017 and
- secondly, not later than Wednesday, May 10 2017, inform Nexam Chemical in writing of their attendance and number of assistances, if any, to Nexam Chemical Holding AB (publ), Bolagsstämman, Scheelevägen 19,

223 63 Lund. Such notification can also be given by telephone +46 733 88 98 38, or by e-mail to info@nexamchemical.com.

Notification ought to include the shareholder's name, address, telephone number, personal or corporate identity number, registered shareholding and information on proxies and number of assistances, if any. Notification and particulars of any proxy and assistances will be registered with Nexam Chemical to provide the basis for the voting list.

Financial calendar

16 May 2017	Annual General Meeting
18 Aug 2017	Interim Report January-June 2017
8 Nov 2017	Interim Report January-September 2017
14 Feb 2018	2017 Year-End-Report

Interim reports are available on www.nexamchemical.com.

For further information concerning the report, please contact:

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This information is information that Nexam Chemical Holding AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on May 10, 2017.

Contact & Media

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