

Nexam Chemical Holding AB (publ)

Interim Report 1 January – 30 June 2017

Sales record in the second quarter

Second quarter at a glance

Operational:

- The highest sales ever in the company's history for a single quarter.
- Delivery completed to additional production facility at existing pipe customer at the same time as access to specific polyethylene is holding back volume growth. Alternative suppliers are under evaluation.
- Funding from Vinnova granted for development of graphene-modified composites for long-term and high temperature applications together with SWEREA Sicom.
- Nexam Chemical approved for listing on Nasdaq First North Premier.

Financials:

- Net sales for the second quarter totaled SEK 4,577,000 (4,242,000).
- The operating loss for the second quarter SEK -5,791,000 (-5,728,000).
- In comparison to the beginning of the year, cash and cash equivalents amounted to SEK 118,983,000 (133,147,000).
- Cash flow from operating activities was SEK -4,762,000 (-6,783,000).

Key Figures for the Group

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net sales (SEK thousand)	4 577	4 242	6 913	5 058	8 268
Operating profit/loss (SEK thousand)	-5 791	-5 728	-10 724	-10 434	-21 923
Cash and cash equivalents (SEK thousand)	118 983	147 051	118 983	147 051	133 147
Cash flow (SEK thousand)	-5 798	-7 722	-14 159	110 852	97 005
Equity (SEK thousand)	153 394	177 875	153 394	177 875	164 231
Equity per basic share (SEK)	2,37	2,75	2,37	2,75	2,54
Equity/asset ratio (%)	95	95	95	95	94
Total assets (SEK thousand)	161 267	188 042	161 267	188 042	173 884
Quick ratio (%)	2 024	1 999	2 024	1 999	1 857
Average number of basic shares	64 724 000	64 724 000	64 724 000	59 461 055	62 106 907
Average number of diluted shares	64 724 000	65 250 669	64 724 000	59 967 001	62 106 907
Basic earnings per share (SEK)	-0,09	-0,09	-0,17	-0,18	-0,38
Diluted earnings per share (SEK)	-0,09	-0,09	-0,17	-0,18	-0,38
Share price on balance sheet date (SEK)	8,75	11,00	8,75	11,00	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

Sales record in the second quarter

Halfway through the year we are pleased to see that Nexam Chemical has a second quarter with the highest sales in the company's history so far. We expect to see continued growth in the future, but the company is still in a phase where the impact of individual orders can result in variations between the quarters. We see continued positive development in all three focus areas; high performance, polyethylene pipe and polyester foam. It is becoming increasingly clear that our strategic decision with masterbatch is correct. Through the masterbatch concept it has been significantly easier for our customers to add our chemistry with stability and in an efficient way in their production process.

Sales in all focus areas – high performance leading the way

From a sales perspective, high performance accounts for the largest share of sales during the quarter and are currently driving sales growth. We have now delivered parts of the orders that we presented in the last quarterly report and are delivering, according to plan, the large order of NEXIMID® communicated in November 2016. This order amounts to 5.4 MSEK and are continuously called-off and are expected to be finally delivered this year.

"...new products enable additional property enhancements..."

To further strengthen our position within the focus area high performance, we have developed several new products, i.e. new molecules, which complement our product portfolio. These products enable additional property enhancements in our customer's end-products within light weight applications. Primarily for the aircraft industry.

The focus area polyethylene pipe has shown a high level of activity during the second quarter. We have now established a well-functioning supply chain process and secured the resources required to effectively serve our customers. The revenues within the segment during the

second quarter is still from existing customers and a result from our determined sales work. We can see that the interest in our products and solutions are high and we continue the work to establish new customers within polyethylene pipes. The sales process within the focus area are long and require persistence. As we add more recurring customers, which can serve as references, we expect to accelerate sales.

A key factor that short-term is holding back volume growth has proved to be the access of the right polyethylene as the base in our product. Today, we are dependent on a supplier who currently cannot offer the volume we need at a competitive price. Long-term we expect to solve this problem, but short-term it has meant loss of sales.

The development project that aim to develop a whole new type of polyethylene pipe continue according to plan and we have reached important milestones.

Also our third focus area, foam of polyesters, have been making progress in the period. The co-operation with Diab, one of the largest manufacturers of high performance foam, is running well and deliveries are made according to plan. The delivery agreement that we signed with Armacell last quarter is about to, with some delay, find its practical form. Armacell will use NEXAMITE® in its ArmaFORM® PET-foam to achieve increased efficiency.

New exciting cooperation with SWEREA

During the period, we received information that Vinnova has granted a total of 879 kSEK to a development project where we together with SWEREA Sicomp will develop graphene-modified composites for long-term and high-temperature applications. The aim of the project, running for almost two years, is, among other things, to reduce weight and increase the use of carbon fiber composites in demanding applications. This type of heat-resistant composites could, for example, replace details in engines which today are made out of metal. Nexam Chemical will, as a part of this project, further develop it's NEXIMID®-

product MHT-R which will be included in new resins based on graphene.

Evaluation for accelerated development moving forward

As I have mentioned before we see the commercialization of masterbatch as the key to Nexam Chemicals success. We have also communicated that we through masterbatch see possibilities to accelerate the company's development by entering into partnerships with companies that complements us or possibly through acquisitions. The systematic evaluation carried out during the year, which we previously informed about, has identified several interesting opportunities. Our goal is to reach an agreement before the end of the year with selected party.

First North Premier open up for new stakeholders

Early May, Nexam Chemical was approved for listing on Nasdaq First North Premier and the first day of trading was 10 May. Moving from Nasdaq First North to Nasdaq First North Premier is to be seen as an important step towards the aim to list the company on a regulated market. By applying Swedish Corporate Governance Code as well as financial reporting according to IFRS, Nexam Chemical, in large parts, fulfill the requirements imposed on companies listed on regulated markets. This enables for more institutional investors to invest in the company.

More to read and listen to

For those who wants to learn more about the industry and read more about Nexam Chemical, I can recommend the trade magazine Plastforum no. 4/2017. It contains an interview with me and our CSO, Johan Arvidsson. You can find the article under Investors / News on our website. On the website there is also the latest newsletter as well as an interview with me that the financial journalist Pontus Herrin made in June. Nexam Chemical operates in an exciting industry and has an offer that is right in time – new sustainable materials will be a crucial competitive factor for many manufacturers within our focus areas. It has taken time, but I can say that we are establishing a platform for future expansion.

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 second quarter totaled SEK 4,577,000 (4,242,000) and for the first half year SEK 6,913,000 (5,058,000). Other operating income for the quarter amounts to SEK 4,000 (374,000).

The personnel expenses during the second quarter totaled SEK -3,444,000 (-3,946,000) and other operating expenses totaled SEK -3,180,000 (-2,717,000). The profit/loss before tax for the quarter came in at SEK -5,823,000 (-5,770,000). During the quarter, other operating expenses and personnel expenses connected to development costs has been balanced with a total amount of SEK 867,000 (595,000).

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 fifteen.

Investments

The total investment in intangible assets during the quarter amounts to SEK 781,000 (486,000). Of these, SEK 667,000 (432,000) concerns development costs balanced

in the balance sheet. Investments in tangible assets amount to SEK 0 (82,000).

Cash flow

The cash flow from the operating activities during the quarter amounted to SEK -4,762,000 (-6,783,000) and for the first six months -11,925,000 (-10,023,000). The cash flow for the first six months has been affected by an increase in inventory. Total cash flow for the quarter amounts to SEK -5,798,000 (-7,722,000).

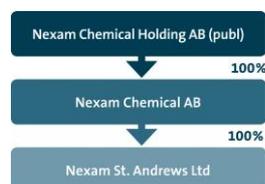
Financial position

Compared to the beginning of the year, the equity/assets ratio was 95 (94) percent, and the equity was SEK 153,394,000 (164,231,000). Cash and cash equivalents amounted to SEK 118,983,000 (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 18 august 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)	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net sales	4,577	4,242	6,913	5,058	8,268
Changes in goods in progress, finished goods and work in progress	-130	-1,239	2,079	-933	237
Other operating income	4	374	139	776	1,020
	4,451	3,377	9,131	4,901	9,525
Operating expenses					
Raw materials and consumables	-2,732	-1,837	-5,959	-2,670	-4,679
Operating expenses	-3,180	-2,717	-5,343	-4,613	-9,191
Personnel cost	-3,444	-3,946	-7,029	-6,837	-15,065
Depreciation and write-down of tangible and intangible assets	-582	-605	-1,169	-1,215	-2,438
Other operating expenses	-304	-	-355	-	-75
Operating profit/loss	-5,791	-5,728	-10,724	-10,434	-21,923
Financial items					
Financial income	-	-	-	-	-
Financial costs	-32	-42	-64	-88	-162
Profit/loss before tax	-5,823	-5,770	-10,788	-10,522	-22,085
Income tax	-	-	-	-	-
Profit/loss for the period	-5,823	-5,770	-10,788	-10,522	-22,085
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Translation differences on foreign subsidiaries	-27	-122	-49	-469	568
<i>Sum of other comprehensive income, net after tax</i>	-27	-122	-49	-469	568
Comprehensive result for the period	-5,850	-5,892	-10,837	-10,991	-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)	-0,09	-0,09	-0,17	-0,18	-0,36
Diluted earnings per share (SEK)	-0,09	-0,09	-0,17	-0,18	-0,36
Average number of basic shares	64,724,000	64,724,000	64,724,000	59,461,055	62,106,907
Average number of diluted shares	64,724,000	65,250,669	64,724,000	59,967,001	62,106,907

Consolidated balance sheet in summary				
(SEK '000)	30 Jun 2017	30 Jun 2016	31 Dec 2016	
ASSETS				
Intangible assets	20,404	18,310	18,889	
Tangible assets	7,676	9,211	8,710	
Financial assets	2,788	45	2,788	
Inventory	8,050	5,659	5,971	
Trade receivables	1,694	3,848	1,754	
Other receivables	1,672	3,918	2,625	
Cash and bank	118,983	147,051	133,147	
TOTAL ASSETS	161,267	188,042	173,884	
EQUITY AND LIABILITIES				
Equity	153,394	177,875	164,231	
Long-term debt with interest	1,736	2,367	2,176	
Provisions for pension	91	55	73	
Short term debt with interest	1,048	1,004	1,152	
Trade payables	790	955	1,262	
Other liabilities	4,208	5,786	4,990	
TOTAL EQUITY AND LIABILITIES	161,267	188,042	173,884	

Consolidated changes in equity in summary					
(SEK '000)	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Balance at the beginning of the period	159,244	183,979	164,231	66,307	66,307
Profit/loss for the period	-5,823	-5,770	-10,788	-10,522	-22,085
Other comprehensive income	-27	-122	-49	-469	-568
Transactions with shareholders	-	-212	-	122,559	120,577
Balance at the end of the period	153,394	177,875	153,394	177,875	164,231

Consolidated cash flow in summary					
(SEK '000)	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Cash flow from operating activities					
Operating income	-5,791	-5,728	-10,724	-10,434	-21,923
Adjustment from non-cash items	578	628	1,135	1,289	2,638
Cash flow from operations before changes in working capital	-5,213	-5,100	-9,589	-9,145	-19,285
Changes in working capital	451	-1,683	-2,336	-878	1,700
Cash flow from operations	-4,762	-6,783	-11,925	-10,023	-17,585
Cash flow from investment activities	-780	-450	-1,740	-1,109	-6,842
Cash flow from financing activities	-256	-489	-494	121,984	121,432
Cash flow for the period	-5,798	-7,722	-14,159	110,852	97,005
Cash and cash equivalents at the beginning of the period	124,785	154,813	133,147	36,305	36,305
Effect of exchange rate changes on cash	-4	-40	-5	-106	-163
Cash and cash equivalents at end of period	118,983	147,051	118,983	147,051	133,147

Parent company - Income statement in summary					
(SEK '000)	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net sales	1,593	3,404	3,020	4,616	7,878
	1,593	3,404	3,020	4,616	7,878
Operating expenses					
Operating expenses	-1,159	-1,273	-2,137	-1,747	-4,123
Personnel cost	-1,798	-2,299	-3,517	-3,615	-8,055
Depreciation and write-down of tangible and intangible assets	-4,000	-	-6,000	-	-
Operating profit/loss	-5,364	-168	-8,634	-746	-4,300
Financial items					
Interest income and other similar profit items	-	-	-	-	-
Interest income from group companies	-	98	-	195	390
Interest expenses and other similar loss items	-1	-1	-1	-1	-1
Profit/loss before tax	-5,365	-71	-8,635	-552	-3,911
Income tax	-	-	-	-	-
Profit/loss for the period	-5,365	-71	-8,635	-552	-3,911

Parent company - Statement of comprehensive income					
(SEK '000)	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Profit/loss for the period	-5,365	-71	-8,635	-552	-3,911
Other comprehensive income	-	-	-	-	-
Comprehensive profit for the period	-5,365	-71	-8,635	-552	-3,911

Parent company - Balance sheet in summary				
(SEK '000)	30 Jun 2017	30 Jun 2016	31 Dec 2016	
ASSETS				
Financial assets	284,359	261,780	284,285	
Receivables from group companies	20,964	26,681	17,189	
Other receivables	115	1,243	153	
Cash and bank	112,061	140,967	124,985	
TOTAL ASSETS	417,499	430,671	426,612	
EQUITY AND LIABILITIES				
Equity	414,321	426,338	422,956	
Provisions for pension	464	282	373	
Trade payables	260	316	296	
Other liabilities	2,454	3,735	2,987	
TOTAL EQUITY AND LIABILITIES	417,499	430,671	426,612	

Note 1 - Intangible assets

(SEK '000)	Development costs	Patents
Accumulated cost		
Opening balance 1 January 2017	15,990	5,754
Additions	1,637	274
Closing balance 30 June 2017	17,627	6,028
Accumulated depreciation		
Opening balance 1 January 2017	-1,755	-1,100
Expensed depreciation for the period	-226	-
Capitalized depreciation for the period	-	-170
Closing balance 30 June 2017	-1,981	-1,270
Residual value 30 June 2017	15,646	4,758
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 4.1 million shares have been turned over during the second quarter 2017 and the average price during the period was SEK 10.67 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 30 June 2017 was 7,316, a decrease of 242 shareholders during the second quarter.

Shareholders	Shares	Percent
Försäkringsbolaget, Avanza Pension	8 048 579	12,4%
SIX SIS AG	5 724 463	8,8%
Handelsbanken Svenska Småbolag	2 800 000	4,3%
Länsförsäkringar Småbolag Sverige	2 346 782	3,6%
Lennart Holm, privately and via company	2 101 596	3,2%
DI Sverige Fokus	1 856 994	2,9%
Daniel Röme, via company	1 500 237	2,3%
Goldman Sachs International Ltd	1 418 236	2,2%
Nordnet Pensionsförsäkring AB	1 417 447	2,2%
Michael Karlsson	947 942	1,5%
Other shareholders (approx. 7,300)	36 561 724	56,5%
Total	64 724 000	100,0%

Financial calendar

8 Nov 2017 Interim Report January-September 2017
14 Feb 2018 2017 Year-End-Report

Interim reports are available on
www.nexamchemical.com.

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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 August 18, 2017.

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