

Press release
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Nexam Chemical adapts to the International Financial Reporting Standards, IFRS

From January 1, 2016, Nexam Chemical follow the accounting principles in accordance with International Financial Reporting Standards (IFRS). The annual report for 2016, which will be published shortly, will be presented in accordance with IFRS.

The transition to IFRS is reported in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The main rule in IFRS 1 requires that an entity apply all IFRS standards retroactively when determining the opening balance according to IFRS. However, some exceptions to retrospective application are allowed. Nexam Chemical has chosen not to apply any of the exceptions. The opening balance has been set to January 1, 2015.

The balance sheet as of January 1, 2015 has been converted retroactively in accordance with IFRS. The financial figures published in connection with the year-end report have been recalculated according to IFRS for the full year 2016 and for the comparative year 2015.

Effects from adopting IFRS

The effects from adopting IFRS have affected the balanced expenses for product development. Development costs have previously been expensed directly, but according to IFRS, they should be capitalized in the balance sheet if certain criteria's are met. Research expenses are still expensed directly. As of December 31, 2016, after adopting to IFRS, Nexam Chemicals' capitalized development expenses amounted to SEK 17.1 million (SEK 1.8 million according to previous accounting principles). The result for the full year 2016 has improved by SEK 1.6 million compared to previous accounting principles.

The transition to IFRS has not affected the company's total cash flow nor the underlying business.

The press release contains an appendix in which a "bridge" presents the adjustments between previous accounting principles and the re-calculated figures according to IFRS together with comments on each adjustment.

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

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About Nexam Chemical

Nexam Chemical develops technology and products that make it possible to significantly improve the production process and properties of most types of plastics in a cost-effective manner and with retained production technology. The improved properties include strength, toughness, temperature and chemical resistance as well as service life. The improvements in properties that can be achieved by using Nexam Chemical's technology make it possible to replace metals and other heavier or more expensive materials with plastics in a number of applications. In applications where plastic is already used, Nexam Chemicals products can improve the manufacturing process, reducing material use and enable more environmental friendly alternatives. Example of commercial applications: pipe manufacturing, foam production and high-performance plastics. More information about the business will be found on www.nexamchemical.com. The company's Certified Adviser is FNCA Sweden AB.

Summary over Nexam Chemicals transition to accounting principles according to IFRS (International Financial Reporting Standards)

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Background

-The consolidated financial statements for 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU. The financial statements are the first financial statements prepared by Nexam Chemical under IFRS.

-The transition date to IFRS has been established to January 1, 2015. The transition to IFRS is reported in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The main rule in IFRS 1 requires that an entity apply all IFRS standards retroactively when determining the opening balance according to IFRS. However, some exceptions to retrospective application are allowed. Nexam Chemical has chosen not to apply any of the exceptions.

-The following tables show and quantify the significant effects that have occurred when adopting to the accounting principles in accordance with IFRS, compared to the previous accounting principles, K3. The annual reports for 2014 and 2015 as well as the year-end report for 2016 have been presented according to K3.

CONSOLIDATE STATEMENT OF FINANCIAL POSITION, GROUP (SEK 000)

ASSETS

Non-current assets

Intangible assets

Development costs

Reference	2015-01-01			2015-12-31			2016-12-31			
	K3	Adjustment	IFRS	K3	Adjustment	IFRS	K3	Adjustment	IFRS	
a), b), c), d)	-	11 549	11 549	-	12 653	12 653	-	14 235	14 235	
Patents	d)	-	4 383	-	4 861	4 861	-	4 654	4 654	
Acquired technology	c), d)	2 200	-2 200	-	2 054	-2 054	-	1 834	-1 834	0
Total intangible assets		2 200	13 732	15 932	2 054	15 460	17 514	1 834	17 055	18 889
<i>Tangible assets</i>		12 564	-	12 564	10 648	-	10 648	8 710	-	8 710
<i>Financial assets</i>	f)	5	-	5	188	-144	44	3 088	-300	2 788
Total non-current assets		14 769	13 732	28 501	12 890	15 316	28 206	13 632	16 755	30 387

Patents

Acquired technology

Total intangible assets

Tangible assets

Financial assets

Total non-current assets

Current assets

Inventory

Other receivables

Prepaid expenses and accrued income

Cash and cash equivalents

Total current assets

TOTAL ASSETS

EQUITY AND LIABILITIES

Equity

Provisions

Long-term liabilities

Short-term liabilities

TOTAL EQUITY AND LIABILITIES

f)	-	-	-	179	-179	-	373	-373	-
f)	3 827	-	3 827	2 922	35	2 957	2 176	73	2 249
	7 342	-	7 342	4 726	-	4 726	7 404	-	7 404
	84 973	13 732	98 705	58 674	15 316	73 990	157 129	16 755	173 884



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, GROUP (SEK 000)	Reference	2015			2016		
		K3	Adjustment	IFRS	K3	Adjustment	IFRS
Revenues							
Net sales		7 842	-	7 842	8 268	-	8 268
Changes in goods in progress, finished goods and work in progress		1 097	-	1 097	1 483	-	1 483
Other operating income	e)	3 425	-1 558	1 867	1 672	-652	1 020
		12 364	-1 558	10 806	11 423	-652	10 771
Operating expenses							
Raw materials and consumables		-5 426	-	-5 426	-5 925	-	-5 925
Operating expenses	a), d)	-12 296	2 145	-10 151	-10 502	1 311	-9 191
Personnel cost	a)	-15 710	1 430	-14 280	-16 313	1 248	-15 065
Depreciation and write-down of tangible and intangible assets	a), c), d)	-2 507	-290	-2 797	-2 126	-312	-2 438
Other operating expenses		-234	-	-234	-75	-	-75
Operating income		-23 809	1 727	-22 082	-23 518	1 595	-21 923
Financial income		333	-	333	-	-	-
Financial expenses		-233	-	-233	-162	-	-162
Profit/loss before tax		-23 709	1 727	-21 982	-23 680	1 595	-22 085
Income tax		-	-	-	-	-	-
Profit/loss for the period		-23 709	1 727	-21 982	-23 680	1 595	-22 085
Other comprehensive income							
<i>Items that may be reclassified to profit or loss</i>							
Translation differences on foreign subsidiaries		-	121	121	-	568	568
Total other comprehensive income, net after tax		-	121	121	-	568	568
Total comprehensive income for the period		-23 709	1 848	-21 861	-23 680	2 163	-21 517

The effects of IFRS are described below in more detail. Amounts with a minus sign "-" credits, and amounts with a plus sign "+" debits.

**Summary over Nexam Chemicals transition to accounting principles
according to IFRS (International Financial Reporting Standards)**

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a) Adjustment of balanced expenses for development

According to previous applied accounting principles the expenses for development have been expensed directly in the income statement when the expenses have appeared. According to IFRS, expenses associated with development must be balanced in the balance sheet, while expenses related to research should be expensed directly in the income statement. Previously expensed personnel expenses and external expenses have therefore increased the balanced expenses for product development. As a result the earnings have improved as shown below.

According to IFRS, depreciation on balanced expenses for development, whose assets are completed, shall be made over the assets estimated useful life time. Depreciation has been initiated for parts of the balanced expenses for product development. The depreciation has decreased the assets and increased the depreciation in the income statement as shown below.

The adjustments above results in an increase of deferred tax liability and retained earnings in equity as shown below.

Balance sheet (accumulated values) (SEK 000)	2015-01-01	2015-12-31	2016-12-31	Income statement (SEK 000)	2015	2016
Balanced expenses for product development (aquisition value)	13 366	16 157	18 503	Operating expenses	-1361	-1098
Balanserade utgifter för produktutveckling (depreciation)	-873	-1 303	-1 755	Personnel expenses	-1430	-1248
Deferred tax liability	-2 748	-3 268	-3 685	Depreciation	430	452
Retained earnings	-9 745	-11 586	-13 063	Deferred tax	519	417
Total	-	-	-	Total	-1842	-1477

b) Reclassification of government grants

The company have received a number of grants from Vinnova and the EU. These have been reported as other operating income when the expenses related to the grants have incurred.

Government grants associated to an asset in the balance sheet can, according to IFRS, be reported as a reduction in the asset to which the grant relates to. Nexam Chemical have chosen this method. The balanced government grants have reduced the balanced expenses as shown below. At the same time, the government grants previously reported as other operating income in the income statement, are reduced as shown below.

The adjustments above results in an increase deferred tax asset and and decrease in retained earnings in equity as shown below.

Balance sheet (accumulated values) (SEK 000)	2015-01-01	2015-12-31	2016-12-31	Income statement (SEK 000)	2015	2016
Balanced expenses for product development	-3 891	-5 449	-6 101	Other operating income	1558	652
Deferred tax asset	856	1 199	1 342	Deferred tax	-343	-143
Retained earnings	3 035	4 250	4 759			
Total	-	-	-	Total	1215	509

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c) Reclassification acquired technology

Depreciation on the intangible asset acquired from Perstorp has been reversed and the original acquisition value of the asset has been transferred from acquired technology to balanced development expenses together with other expenses related to the product/asset. As a result, the value of acquired technology have been reduced and the balanced development expenses increased as shown below. The reversed depreciation reduces the depreciation in the income statement as shown below.

The adjustments above results in an increase in deferred tax liability and the retained earnings in equity as shown below.

Balance sheet (accumulated values) (SEK 000)	2015-01-01	2015-12-31	2016-12-31	Income statement (SEK 000)	2015	2016
Balanced expenses for product development	2 500	2 500	2 500	Depreciation	-125	-125
Acquired technology	-1 817	-1 692	-1 567	Deferred tax	28	27
Deferred tax liability	-150	-178	-205			
Retained earnings	-533	-630	-728			
Total	-	-	-	Total	-97	-98

d) Adjustments patent expenses

According to previous accounting principles the majority of the expenses for patents have been expensed directly in the income statement at the time the expenses incurred. For patent expenses that have been balanced in the balance sheet, depreciation has been made over the estimated useful life time. According to IFRS, expenses for acquired intangible assets (patents) shall be balanced and depreciated over the estimated useful life time. Depreciation of patents used in the ongoing development of new products shall be reported against and increase the balanced development costs. Other depreciations shall be expensed immediately.

Patents and balanced expenses for development have increased as shown below and the reclassification have reduced the value of acquired technology. At the same time the external cost are reduced as the expenses historically has been reported directly in the income statement.

The adjustments above results in an increase in the deferred tax liability and the retained earnings in equity as shown below.

Balance sheet (accumulated values) (SEK 000)	2015-01-01	2015-12-31	2016-12-31	Income statement (SEK 000)	2015	2016
Balanced expenses for product development	447	748	1 088	Operating expenses	-785	-213
Patents	4 383	4 861	4 654	Depreciation	-15	-15
Acquired technology	-383	-362	-267	Deferred tax	176	50
Deferred tax liability	-978	-1 154	-1 205			
Retained earnings	-3 469	-4 093	-4 270			
Total	-	-	-	Total	-624	-178



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e) Deferred tax assets relating to loss carryforward

The Nexam Chemical group have a total accumulated loss carryforward amounting to SEK 110,892 thousand per 1 January, 2015, SEK 134,442 thousand per 31 December 2015 and SEK 163,731 thousand per 31 December 2016. Deferred tax assets on the loss carryforward are reported with an amount corresponding to the reported deferred tax liability, i.e. the deferred tax liability amounts to nil (0) SEK. Deferred tax assets relating to loss carryforward increases and the corresponding increase in retained earnings in equity are reported as shown below. The tax asset reduces the deferred tax in the income statement as shown below.

Balance sheet (accumulated values) (SEK 000)	2015-01-01	2015-12-31	2016-12-31	Income statement (SEK 000)	2015	2016
Deferred tax asset	3 020	3 401	3 752	Deferred tax	-381	-351
Retained earnings	-3 020	-3 401	-3 752			
Total	-	-	-	Total	-381	-351

f) Reclassification provisions

According to current accounting principles, pension commitments that are guaranteed by an endowment insurance are to be reported as a financial asset with the corresponding amount reported as provision. According to IFRS, such a pension commitment are to be reported as a net. Financial assets and provisions related to the endowment insurance are reduced as shown below. Other provisions, which concerns tax on pension, should be reported as a long-term liability, which increases as shown below. The reclassification have no effect in the income statement or tax effect.

Balance sheet (accumulated values) (SEK 000)	2015-01-01	2015-12-31	2016-12-31
Financial assets	-	-144	-300
Provisions	-	179	373
Long-term liabilities	-	-35	-73
Total	-	-	-