

# Nexam Chemical Holding AB (publ)

Interim Financial Report 1 January – 30 June 2015

## Increased activity at customers

### The second quarter at a glance

#### Operations:

- Increased number of full scale production tests at customers within prioritized focus areas.
- The subsidiary Nexam St Andrews Ltd receives an order of approximately SEK 2.4 million from a global pharmaceutical company.
- The ongoing cost saving program is beginning to show results in the company's cash flow.
- Management and key persons in the company has subscribed for a total of 646,000 warrants.

#### Financials:

- Net sales for the second quarter totaled SEK 619,000 (385,000) and for the first six months SEK 1,132,000 (505,000). Profit/loss before tax for the second quarter amounted to SEK -5,578,000 (-9,099,000).
- In comparison with the beginning of the year, the total assets at the end of the period amounted to SEK 68,565,000 (84,973,000), with cash and cash equivalents accounting for SEK 44,931,000 (62,543,000).
- Cash flow from operating activities for the second quarter was SEK -6,737,000 (-10,649,000).

## Key Figures for the Group

Key figures for the Group	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Net sales (SEK thousand)	619	385	1,132	505	1,602
Operating profit/loss (SEK thousand)	-5,646	-9,039	-16,261	-16,643	-35,497
Cash and cash equivalents (SEK thousand)	44,931	81,283	44,931	81,283	62,543
Cash flow (SEK thousand)	-6,737	-10,649	-17,711	48,709	29,856
Equity (SEK thousand)	58,721	92,894	58,721	92,894	73,804
Equity per basic share (SEK)	1.13	1.82	1.13	1.82	1.44
Equity/asset ratio (%)	85.6	90.7	85.6	90.7	86.9
Total assets (SEK thousand)	68,565	102,449	68,565	102,449	84,973
Quick ratio (%)	804.0	1,759.8	804.0	1,759.8	893.0
Average number of basic shares	51,780,000	50,487,182	51,780,000	50,487,182	51,138,904
Average number of diluted shares	52,572,065	51,104,624	52,572,065	51,104,624	51,740,703
Basic earnings per share (SEK)	-0.11	-0.18	-0.31	-0.33	-0.69
Diluted earnings per share (SEK)	-0.11	-0.18	-0.31	-0.33	-0.69
Share price on balance sheet date (SEK)	8.40	32.80	8.40	32.80	11.55

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.

## Increased activity at customers

The second quarter for Nexam Chemical has meant full concentration on business development in our focus areas. Through active sales efforts and a number of test runs in our plastic lab and at our customers, we have been able to take important steps towards commercial sales on a larger scale. We are pleased to see that more of our customers are testing our product formulations directly in their production process. This shows that the technology has become more robust. In order to adapt our NEXAMITE®-additives for specific customer needs, we are simulating our customers' production processes in our plastic application laboratory, where our machines are going warm. All future development and formulation evaluation has now been moved from Lund to our chemistry lab at the production facility in Scotland. All teams are going full ahead forward.

### Sales

Sales have developed positive in the second quarter and we expect this trend to continue in the third quarter. However, the majority of orders coming in are still intended for large and small test runs at customers.

For our high-performance products, we now have the first regular business rolling and it is expected to gradually grow in volume during the coming quarters. Volume wise, it is a small business, but with good profitability.

We have sold smaller volumes for full scale production of polyester foam (e.g. PET) and within this area we expect to see volume growth in the long term. However, we are dependent on our clients' business development, with product launches and market activities, and that will take time.

**”The number of customers that test our products in pilot or full scale increased during the quarter in all focus areas.”**

Regarding polyethylene, and primarily in pipe applications, promising full scale production runs have been done by end customer. The highly regulated quality assurance in this area takes considerable calendar time, e.g. accelerated age tests on pipes takes up to one year to carry through. Our customers have come part of the way with promising results so far.

The number of customers that test our products in pilot or full scale production increased during the quarter in all focus areas. These activities strengthen our pipeline for the future. Even if it takes time to implement both production trials and evaluation these, this is a confirmation that customers from the entire value chain see the opportunities with our products.

During the quarter, we received an order worth approximately SEK 2.4 million from a global pharmaceutical company on a product outside of our strategic focus. The fact that we won the order, which we can produce without disrupting our regular business, is a confirmation of our know-how in specialty chemicals.

### Market

Our market activities are partly directed to broaden our customer base in our three focus areas (polyester foam, polyethylene, high-performance applications) and to introduce our technology to companies in new application areas. During the quarter we have participated in trade fairs, conferences and webinars with good response from the market.

### R&D

Development activities, such as formulation optimization and process development to help our customers to optimize their production processes, are priorities for our development team.

Our research is now focused on streamlining developed solutions intended for polypropylene. We have also initiated a strategy during the second quarter in order to give direction to our long-term development work. I will return to this area in future reports.

**Cost saving program**

Thanks to a total commitment and efforts from our employees, we can now see that our savings program results in an improved cash flow. We follow our plan, and in the coming six months, we will be able to see more effects from this.

**Organization**

To further increase our capacity and level of sales activities in our chosen focus areas, we are now recruiting two key persons. The intention is to reinforce the team with a dedicated sales person and one person for technical services/technical sales.

I would also like to thank the four founders who, except for Daniel Röme, have left their operative role in the company. It is thanks to their long and strong contributions to the company that we are where we are today. I feel a great support from them all when we now are setting full speed ahead and moving into the next phase of 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 second quarter totaled SEK 619,000 (385,000) and for the first six months 1,132,000 (502,000). Other operating income for the second quarter amounts to SEK 1,606,000 (47,000) and refers primarily to grants from Vinnova/Eurostar.

The personnel expenses during the quarter totaled SEK -3,645,000 (-3,829,000), a reduction of SEK 1.9 million compared to the first quarter 2015. Other operating expenses for the second quarter amounted to SEK -3,377,000 (-4,545,000). The reduced cost for personnel and other operating cost for the quarter is an effect of the ongoing cost saving program. The profit/loss before tax for the quarter came in at SEK -5,578,000 (-9,099,000). The loss for the second quarter has, more or less, been halved compared to the first quarter 2015.

## Personnel and organization

Compared to the same quarter last year, the average number of employees decreased from 23 to 19 persons whereof 12 (15) in Sweden and 7 (8) in Scotland. The number of employees at the end of the quarter was 13, which is a decrease of 5 employees compared to the end of the first quarter 2015.

## Investments

Investments for the period totaled SEK 0.3 million and concerns investment in equipment.

## Cash flow

The cash flow during the second quarter amounted to SEK -6,737,000 (-10,649,000). The negative cash flow is mainly connected to the operating loss but also an increasing stock value since the purchase of raw material and the production rate has increased. Cash flow from the operating activities was for the period SEK -6,647,000 (-10,017,000), of which change in working capital was SEK -1,716,000 (-2,141,000).

## Financial position

Compared to the beginning of the year, the equity/assets ratio was 86 (87) percent, and the equity was SEK 58,721,000 (73,804,000). Cash and cash equivalents amounted to SEK 44,931,000 (62,543,000) 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

Income statement for the Group					
(SEK thousand)	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Net sales	619	385	1,132	502	1,602
Other operating income	1,606	47	1,851	120	840
Raw materials and consumables	-177	-340	-648	-898	-1,911
Personnel expenses	-3,645	-3,829	-9,227	-7,055	-13,796
Other operating expenses	-3,377	-4,545	-8,074	-7,826	-18,076
Depreciation, amortization & impairment	-672	-757	-1,295	-1,485	-4,156
<b>Operating profit/loss</b>	<b>-5,646</b>	<b>-9,039</b>	<b>-16,261</b>	<b>-16,643</b>	<b>-35,497</b>
Financial net	68	-60	163	-88	444
<b>Profit/loss before tax</b>	<b>-5,578</b>	<b>-9,099</b>	<b>-16,098</b>	<b>-16,731</b>	<b>-35,053</b>
Income tax	-	-	-	-	1
<b>Profit/loss for the period</b>	<b>-5,578</b>	<b>-9,099</b>	<b>-16,098</b>	<b>-16,731</b>	<b>-35,052</b>

Balance sheet for the Group				
(SEK thousand)	30 Jun 2015	30 Jun 2014	31 Dec 2014	
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	2,127	3,578	2,200	
Tangible assets	12,441	12,036	12,564	
Financial assets	68	5	5	
<b>Total non-current assets</b>	<b>14,636</b>	<b>15,619</b>	<b>14,769</b>	
<b>Current assets</b>				
Inventories	6,617	3,800	4,637	
Other current assets	2,381	1,747	3,024	
Cash and bank balance	44,931	81,283	62,543	
<b>Total current assets</b>	<b>53,929</b>	<b>86,830</b>	<b>70,204</b>	
<b>Total assets</b>	<b>68,565</b>	<b>102,449</b>	<b>84,973</b>	
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>58,721</b>	<b>92,894</b>	<b>73,804</b>	
<b>Liabilities</b>				
Non-current liabilities	3,958	4,837	3,827	
Current liabilities	5,886	4,718	7,342	
<b>Total liabilities</b>	<b>9,844</b>	<b>9,555</b>	<b>11,169</b>	
<b>Total equity and liabilities</b>	<b>68,565</b>	<b>102,449</b>	<b>84,973</b>	

Statement of changes in equity					
(SEK thousand)	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Equity at the start of the period	63,732	101,189	73,804	43,523	43,523
New share issues and subscription rights	465	-	605	67,500	67,500
Issuing costs	-	-	-	-2,136	-2,811
Profit/loss for the period	-5,578	-9,099	-16,098	-16,731	-35,052
Translation difference	102	804	410	738	644
<b>Equity at the end of the period</b>	<b>58,721</b>	<b>92,894</b>	<b>58,721</b>	<b>92,894</b>	<b>73,804</b>

Cash flow statement for the group					
(SEK thousand)	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Cash flow from operating activities before changes in working capital	-4,931	-7,876	-14,861	-14,889	-31,019
Changes in working capital	-1,716	-2,141	-2,321	-172	-472
<b>Cash flow from operating activities</b>	<b>-6,647</b>	<b>-10,017</b>	<b>-17,182</b>	<b>-15,061</b>	<b>-31,491</b>
Net cash from investing activities	-259	-315	-530	-788	-1,779
Net cash from financing activities	169	-317	1	64,558	63,126
<b>Net cash flow for the period</b>	<b>-6,737</b>	<b>-10,649</b>	<b>-17,711</b>	<b>48,709</b>	<b>29,856</b>
Cash and cash equivalents at start of period	51,645	91,866	62,543	32,511	32,511
Translation difference in cash & cash equivalents	23	65	99	62	175
<b>Cash and cash equivalents at the end of period</b>	<b>44,931</b>	<b>81,282</b>	<b>44,931</b>	<b>81,282</b>	<b>62,543</b>

Income statement for parent company					
(SEK thousand)	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014
Net sales	2,070	1,479	4,088	2,814	6,033
Personnel expenses	-1,632	-653	-3,466	-1,354	-2,534
Other operating expenses	-992	-1,641	-1,903	-2,170	-6,262
<b>Operating profit/loss</b>	<b>-554</b>	<b>-815</b>	<b>-1,281</b>	<b>-711</b>	<b>-2,763</b>
Financial net	223	-	454	-	627
<b>Profit/loss before tax</b>	<b>-331</b>	<b>-815</b>	<b>-827</b>	<b>-711</b>	<b>-2,136</b>
Income tax	-	-	-	-	1
<b>Profit/loss for the period</b>	<b>-331</b>	<b>-815</b>	<b>-827</b>	<b>-711</b>	<b>-2,135</b>

Balance sheet for the parent company			
(SEK thousand)	30 Jun 2015	30 Jun 2014	31 Dec 2014
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets	248,490	243,990	243,990
<b>Total non-current assets</b>	<b>248,490</b>	<b>243,990</b>	<b>243,990</b>
<b>Current assets</b>			
Other current assets	18,489	690	42,197
Cash and bank balance	40,993	64,992	22,462
<b>Total current assets</b>	<b>59,482</b>	<b>65,682</b>	<b>64,659</b>
<b>Total assets</b>	<b>307,972</b>	<b>309,672</b>	<b>308,649</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>305,777</b>	<b>308,703</b>	<b>306,604</b>
<b>Liabilities</b>			
Current liabilities	2,195	969	2,045
<b>Total liabilities</b>	<b>2,195</b>	<b>969</b>	<b>2,045</b>
<b>Total equity and liabilities</b>	<b>307,972</b>	<b>309,672</b>	<b>308,649</b>

Lund, 20 August 2015

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 995,769.23, divided into 51,780,000 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 7.8 million shares have been turned over during the second quarter 2015 and the average price during the period was SEK 8.49 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	0,7%
2010-12-20	0,20	2017-09-15	2017-12-15	5,48	419 758	0,8%
2012-11-01	0,11	2018-10-01	2018-12-31	10,96	536 560	1,0%
2014-10-31	0,20	2017-09-25	2017-10-09	35,20	700 000	1,3%
2015-06-17	0,76	2018-09-03	2018-09-17	13,00	646 000	1,2%
					<b>2 674 625</b>	<b>4,9%</b>

### Shareholders

The number of shareholders as of 30 June 2015 was 8,644, an increase of 58 shareholders during the second quarter.

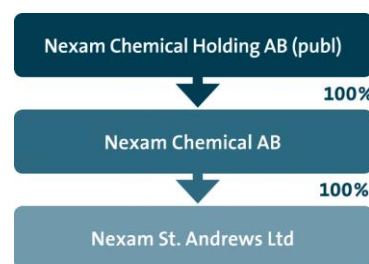
Shareholders <sup>1</sup>	Shares	Percent
Försäkringsbolaget, Avanza Pension	4 671 219	9,0%
UBS AG on behalf of client	3 334 847	6,4%
Lennart Holm, via company	2 091 596	4,0%
Nordnet Pensionsförsäkring AB	2 026 737	3,9%
Per Palmqvist Morin, via company, private and family	1 570 569	3,0%
Jan-Erik Rosenberg, private and via company	1 548 866	3,0%
SIX SIS AG	1 567 971	3,0%
Richard Tooby, private and via company	1 504 266	2,9%
Daniel Röme, via company	1 500 237	2,9%
Michael Karlsson, via company, private and family	1 259 421	2,4%
Other shareholders (approx. 8 600)	30 704 271	59,3%
<b>Total</b>	<b>51 780 000</b>	<b>100,0%</b>

<sup>1</sup> Source: Share register kept by Euroclear and information known to the company as of 30 June 2015.



## 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

The Group applied BFNAR (the Swedish Accounting Standards Board's General Advice) 2012:1 (K3) for the first time when preparing its Annual Report and consolidated financial statements for 2012. The transition to K3 caused certain changes to the income statement. The parent company did not apply any voluntary exceptions from retroactive application of K3, and so translation has

occurred with full retroactive effect. 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.

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

## 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 2014 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.

## Financial calendar

12 Nov 2015    Interim Report Jan-Sep 2015  
 18 Feb 2016    2015 Year-End Report  
 Interim reports are available on  
[www.nexamchemical.com](http://www.nexamchemical.com).

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