

Nexam Chemical Holding AB (publ)

Year End Report 1 January – 31 December 2016

Largest order in the company history

Fourth quarter at a glance

Operational:

- Receives order of SEK 5.3 million concerning the high performance product NEXIMID®. Largest order in the company history.
- Signs supply agreement with Diab concerning the NEXAMITE®-technology for the production of PET-foam.

Financials:

- Net sales for the fourth quarter totaled SEK 2,097,000 (2,513,000).
- The operating loss for the fourth quarter SEK -6,431,000 (-4,923,000).
- In comparison to the beginning of the year, cash and cash equivalents amounted to SEK 133,147,000 (36,305,000).
- Cash flow from operating activities was SEK -5,210,000 (-2,936,000).

Key Figures for the Group

Key figures for the Group	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Net sales (SEK thousand)	2 097	2 513	8 268	7 842
Operating profit/loss (SEK thousand)	-6 431	-4 923	-23 518	-23 809
Cash and cash equivalents (SEK thousand)	133 147	36 305	133 147	36 305
Cash flow (SEK thousand)	-10 175	-2 902	97 005	-26 262
Equity (SEK thousand)	147 176	50 847	147 176	50 847
Equity per basic share (SEK)	2,27	0,98	2,27	0,98
Equity/asset ratio (%)	94	87	94	87
Total assets (SEK thousand)	157 129	58 674	157 129	58 674
Quick ratio (%)	1 857	847	1 857	847
Average number of basic shares	64 724 000	51 780 000	62 106 907	51 780 000
Average number of diluted shares	64 724 000	52 990 938	62 106 907	52 496 576
Basic earnings per share (SEK)	-0,10	-0,10	-0,38	-0,46
Diluted earnings per share (SEK)	-0,10	-0,10	-0,38	-0,46
Share price on balance sheet date (SEK)	12,25	12,50	12,25	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

Foundation laid for growth!

During the fourth quarter, Nexam Chemical received the largest order, so far, in its history. A US customer ordered NEXIMID® for the total amount of SEK 5.3 million. The order is a confirmation and the result of long and enduring efforts of marketing, customer intimacy, product customization and an extensive quality control. The result confirms that our products are ready for a larger market. It is also positive that we during the quarter have signed a supply agreement with the Swedish composite company Diab concerning our NEXAMITE®-technology for the production of PET-foam.

We are still in a phase in the company where sales for individual quarters may vary, but we can see that our strategy are gaining ground. Our customer relations are continuously developing from the initial tests in the laboratory to pilot and full scale runs in production facilities. Those who have followed our company for a while know by now that it takes longer time from first contact to commercial sales than what you can expect. We can conclude that the thresholds for launching new products in the chemical and material industry are high and that they, through increasing and stricter regulations, have become even higher in recent years.

“.. by offering our customers related products and value creating solutions within our area of expertise.”

We continue with undiminished pace to develop and refine our products and technology and are confident that a breakthrough will come. In parallel we see, as a solution-oriented company, the possibilities to expand our sales potential by offering our customers related products and value creating solutions within our area of expertise.

A decision that seems to be more and more strategically correct is the focus on masterbatch. We have been able to simplify for our customers how they introduce our additives in their processes and how they can thus benefit from the advantages of our products.

Despite the time factor, a lot of value creating work with good results have been executed during the past year. This, in combination with the successful share issue during the first half of the year, means that the conditions for an eventful 2017 with profitable growth are good.

Foam of polyester (incl PET)

In November we signed a supply agreement with the Swedish composite company Diab regarding our NEXAMITE®-technology for the production of PET-foam. Diab is one of the four largest manufacturers of high performance foam in the world. It concerns a whole new generation of foam, and a foam that is stronger than in relation to its weight. It achieves lower consumption of material (plastics) while maintaining performance and at the same time enable an increase of recycled plastic in the end-product.

By adding a higher dose of NEXAMITE® into a masterbatch, we have succeeded in packaging our product in a way that makes it easy for Diab to apply it in their production equipment. The supply agreement is a confirmation that NEXAMITE® enable large enhancements in environmentally friendly PET-foam, a fast growing market. Polyester foam is an important application for Nexam Chemical!

The market for environmentally friendly PET-foam is important and growing market. We now believe that Nexam Chemical has established itself as an important partner in this market. The success that has been achieved together with Diab strengthen us in the collaboration with other foam manufacturers. We continue to further develop the concept of masterbatch and thereby expand our market potential.

During the fourth quarter the rPET-project was finalized. The project objective was to, based on our technology, show that recycled PET can compete in more end-products and especially in the production of PET-foam. You can read more about the rPET and the successful project in the newsletter that was published in January.

Polyethylene pipe

Tests within the focus area (polyethylene pipes containing NEXAMITE®) continue in cooperation with several leading pipe manufacturers. The tests by each respective manufacturer are driven by finding the right dose of our product in their processes and products to maximize the effect of NEXAMITE®. They are trying to find a combination of product properties and process improvements in their production. It takes time to finalize all the tests and the necessary evaluations. In some cases they also need certifications and regulatory approvals.

Although our strategy with three focus areas are intact, we see an interest from these multinational pipe customers to conduct further evaluations of NEXAMITE® in other of their product segments. This is products outside the segment polyethylene pipe where they want to achieve similar properties and production improvements.

As mentioned before, there are a large business potential for polyethylene pipes. It is volume wise the largest area we are working with today. At the same time we need to be aware of that volume sales will take another year or two.

High performance

During the fourth quarter we received an order of totally SEK 5.3 million from an existing customer in the US. This is the largest order so far in Nexam Chemicals history and concerns NEXIMID®. It has been a long process and our product has for several years been tested and validated according to the most extensive qualification requirements imaginable. Our client have, during a long time, through hard work and patience, been able to create a platform for their products.

Through a strong belief in Nexam Chemicals products, our customer have established a solution that will be industry

standard for many years. Deliveries have been initiated and the order is expected to be finally delivered in 2017. This is a great success for us, and yet another confirmation that our technology can generate high customer value and contribute to profitable growth.

Composites containing NEXIMID® are used in environments where extensive pressures and high temperature put extreme demands on the material. The application areas can be found within advanced airplanes, space and other areas where the demands on the material are the highest. But not only limited to this. Our successful collaboration with this customer is an important reference going forward with other current and new customers.

Platform for growth

Altogether we can see that we during the year have taken important steps forward in several different aspects. Volume sales in the high performance segment, developing masterbatch containing a high dose of NEXAMITE®, customers taking their test cycles from laboratory, through pilot and finally to full scale in their normal production process. We have received confirmation that our chemistry makes a difference and can generate large customer values.

” We have received confirmation that our chemistry makes a difference and can generate large customer values.”

We clearly see that we receive acceptance for our products and technology, resulting in stronger customer relationships. The most crucial factor during the year to advance our positions have been the success in formulating and implementing masterbatch as way of delivering NEXAMITE®.

Our focus will now be on continued commercialization and we are allocating more resources towards sales and marketing. As a step towards this, we have established a plan for how our products will be registered for REACH.

REACH is the EU's comprehensive regulation for production and sales of chemicals which requires that every chemical should be registered and documented when the volumes exceed certain thresholds.

In March, I and some of my co-workers will visit the trade fair JEC in Paris. The world's largest trade fair for composites. A large number of meetings with existing and potential customers are scheduled and the interest for Nexam Chemical is large. Our cooperation with Evonik in polyimides contribute positively to this interest.

Our ambition for 2017 is that Nexam Chemical should reach a definitive and significant commercial breakthrough.

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 fourth quarter totaled SEK 2,097,000 (2,513,000) and for the full year SEK 8,268,000 (7,842,000). Other operating income for the quarter amounts to SEK 119,000 (791,000) and refers primarily to grants from Vinnova/Eurostar.

The personnel expenses during the fourth quarter totaled SEK -4,420,000 (-3,142,000) and other operating expenses totaled SEK -3,330,000 (-2,736,000). The periods increase in expenses compared to corresponding period last year is in line with the ongoing expansion and increase in the number of employees within sales and marketing. In comparison with last year, the cost for the full year have reduced with SEK 1.4 million. The profit/loss before tax for the quarter came in at SEK -6,465,000 (-4,969,000) and for the full year SEK -23,680,000 (-23,709,000).

Personnel and organization

Compared to the previous quarter, the average number of employees have increased to 14 (13) whereof 9 (9) in Sweden and 5 (4) in Scotland. The number of employees at the end of the period was fourteen.

Investments

During the quarter, warrants were acquired in the subsidiary for the total amount of SEK 4.7 million and investments in tangible assets totaled SEK 17,000 (0).

Cash flow

The cash flow during the quarter amounted to SEK -10,175,000 (-2,902,000). The total amount of SEK 4.7 million connected to the acquisition of warrants has affected the cash flow negatively during the quarter. Cash flow from the operating activities was for the period SEK -5,210,000 (-2,936,000).

Financial position

Compared to the beginning of the year, the equity/assets ratio was 94 (87) percent, and the equity was SEK 147,176,000 (50,847,000). Cash and cash equivalents amounted to SEK 133,147,000 (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)	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Net sales	2 097	2 513	8 268	7 842
Other operating income	119	791	1 672	3 425
Raw materials and consumables	-363	-1 751	-4 442	-4 329
Personnel expenses	-4 420	-3 142	-16 313	-15 710
Other operating expenses	-3 330	-2 736	-10 577	-12 530
Depreciation, amortization & impairment	-534	-598	-2 126	-2 507
Operating profit/loss	-6 431	-4 923	-23 518	-23 809
Financial net	-34	-46	-162	100
Profit/loss before tax	-6 465	-4 969	-23 680	-23 709
Income tax	-	6	-	-
Profit/loss for the period	-6 465	-4 963	-23 680	-23 709

Balance sheet for the Group				
(SEK thousand)			31 Dec 2016	31 Dec 2015
Assets				
Non-current assets				
Intangible assets			1 834	2 054
Tangible assets			8 710	10 648
Financial assets			3 088	188
Total non-current assets			13 632	12 890
Current assets				
Inventories			5 971	5 734
Other current assets			4 379	3 745
Cash and bank balance			133 147	36 305
Total current assets			143 497	45 784
Total assets			157 129	58 674
Equity and liabilities				
Equity			147 176	50 847
Liabilities				
Provisions			373	179
Non-current liabilities			2 176	2 922
Current liabilities			7 404	4 726
Total liabilities			9 953	7 827
Total equity and liabilities			157 129	58 674

Statement of changes in equity				
(SEK thousand)	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Equity at the start of the period	155 629	55 973	50 847	73 804
New share issues and subscription rights	-	-	129 440	631
Issuing costs	-	-	-6 881	-
Transactions with non-controlling interests ¹	-1 982	-	-1 982	-
Profit/loss for the period	-6 465	-4 963	-23 680	-23 709
Translation difference	-6	-163	-568	121
Equity at the end of the period	147 176	50 847	147 176	50 847

¹ Refers to the acquired warrants that the parent company has redeemed and subscribed 2,040 shares in the subsidiary.

Cash flow statement for the group				
(SEK thousand)	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Cash flow from operating activities before changes in working capital	-5 871	-4 310	-21 150	-20 997
Changes in working capital	661	1 374	1 699	-4 058
Cash flow from operating activities	-5 210	-2 936	-19 451	-25 055
Net cash from investing activities	-4 747	182	-4 977	-616
Net cash from financing activities	-218	-148	121 433	-591
Net cash flow for the period	-10 175	-2 902	97 005	-26 262
Cash and cash equivalents at start of period	143 350	39 300	36 305	62 543
Translation difference in cash & cash equivalents	-28	-93	-163	24
Cash and cash equivalents at the end of period	133 147	36 305	133 147	36 305

Income statement for parent company				
(SEK thousand)	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Net sales	1 829	945	7 878	5 877
Personnel expenses	-1 988	-1 043	-8 055	-5 823
Other operating expenses	-1 525	-768	-4 123	-3 044
Operating profit/loss	-1 684	-866	-4 300	-2 990
Financial net	98	104	389	695
Profit/loss before tax	-1 586	-762	-3 911	-2 295
Income tax	-	6	-	-
Profit/loss for the period	-1 586	-756	-3 911	-2 295

Balance sheet for the parent company		
(SEK thousand)	31 Dec 2016	31 Dec 2015
Assets		
Non-current assets		
Financial assets	284 285	254 673
Total non-current assets	284 285	254 673
Current assets		
Other current assets	17 342	20 711
Cash and bank balance	124 985	30 721
Total current assets	142 327	51 432
Total assets	426 612	306 105
Equity and liabilities		
Equity	422 956	304 309
Liabilities		
Provisions	373	179
Current liabilities	3 283	1 617
Total liabilities	3 656	1 796
Total equity and liabilities	426 612	306 105

Lund 16 February 2017

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 9.7 million shares have been turned over during the fourth quarter 2016 and the average price during the period was SEK 10.80 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.

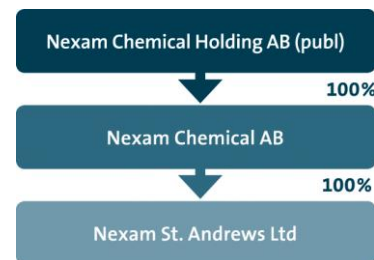
Shareholders

The number of shareholders as of 31 December 2016 was 7,803, a decrease of 390 shareholders during the fourth quarter.

Shareholders	Shares	Percent
Försäkringsbolaget, Avanza Pension	7,585,878	11,7%
SIX SIS AG	5,726,963	8,8%
Handelsbanken Fonder	3,000,000	4,6%
Länsförsäkringar Småbolag Sverige	2,346,782	3,6%
Lennart Holm, privately and via company	2,101,596	3,2%
Danske Invest Sverige Fokus	2,050,000	3,2%
Nordnet Pensionsförsäkring AB	1,709,157	2,6%
Daniel Röme, via company	1,500,237	2,3%
Michael Karlsson	947,942	1,5%
Björn Parkander	912,517	1,4%
Other shareholders (approx. 7,800)	36,842,928	56,9%
Total	64,724,000	100,0%

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.

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

10 May 2017	Interim Report January-March 2017
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.

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.

Shareholders are entitled to have items put on the agenda for the Annual General Meeting, if a request has been received by the Board of Directors no later than 28 March 2017.

The Board of Directors can be contacted via email at: styrelsen@nexamchemical.com or by regular mail addressed to:

Nexam Chemical Holding AB (publ)

Att: Board of Directors

Scheelevägen 19

223 63 LUND, Sweden.

The Nomination Committee for the AGM 2017 consists of the following persons:

Magnus Strömer, Chairman of the Nomination Committee and nominated by Handelsbanken Fonder; Jesper Bonnvier, nominated by Länsförsäkringar Småbolag Sverige; and Lennart Holm

Shareholders who wish to submit proposals to the Nomination Committee can contact the Nomination Committee via email at: valberedning@nexamchemical.com, or by regular mail addressed to:

Nexam Chemical Holding AB (publ)

Att: Nomination Committee

Scheelevägen 19

223 63 LUND, Sweden.

Proposals should be received by the Nomination Committee no later than 1 March 2017 for the Nomination Committee to be able to process them with sufficient care.

For further information concerning the report, please contact:

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Contact & Media

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