



Newsletter

March 2019

Johan Arvidsson – new CEO of Nexam Chemical

It has been more or less a month since I took up the position as new CEO of Nexam Chemical. This is a task I have taken on with the greatest confidence and energy. Over the past two years I have, in the role as sales manager, been involved in establishing customer relations and marketing of the product portfolio for which sales are now really taking off. Going forward we will continue to build and expand the businesses we have established. On top of that, I want to create new business opportunities based on our well-functioning business model that we are using and developing our products in close cooperation with our customers.

Last year, we were able to deliver good sales growth from Nexam Chemicals product portfolio. In parallel we also focused on integrating our acquisition, Plasticolor, into the new Nexam Chemical. Last year, 2018, was the year when Nexam Chemical really succeeded in establishing a commercial foothold with continuous orders of larger size. For every quarter, we were able to present reports showing the best quarter ever for the company. The growth came primarily within Nexam Chemicals product portfolio. In particular, the area within additives to PET-foam started to generate volume sales. In addition to that, we can see that the acquisition of Plasticolor was right. The acquisition gave us a stable base to stand on and a business generating a larger cash flow. It also increased the interest from the market since we now can offer a significantly larger product portfolio.

The development during 2018 in combination of the order backlog we brought with us into 2019 give us great hope for the upcoming year. The customers are giving us positive signals, especially within the PET-foam business, and we see in front of us a continued sales growth during 2019. It is my ambition that we, for the coming year, can show a number of quarterly reports with continued sales growth and improved results. Not only during 2019 but also for the coming years.

Nexam Chemicals technology and products can contribute to improved material technology and enable smarter materials. The future will require lighter, stronger, more heat resistant and sustainable materials. Nexam Chemical holds the pieces that fit into many future material solutions. It could be larger wind turbines for higher energy efficiency or lighter aero engines for lower fuel consumption. It could also be about impro-

ved possibilities for recycling materials and thereby contribute to a sustainable society. The ongoing trends in the market and in the society, as a whole, are in line with what Nexam Chemicals products can offer and that speaks to our advantage.

Nexam Chemicals technologies act through other players. We do not manufacture any end-products, but instead we offer important pieces that contribute to improve the properties of our customers products and thereby making them more competitive. We are getting better in packaging and marketing our technology and showing the advantages our customers can obtain by cooperating with us. But I still see we have work to do and there is potential to improve in this area.

The key is to work proactively and in close relationship with the customers so that we, together, can develop products and solutions meeting their specific needs. It may seem to be a time-consuming and resource-intensive way of working, but I think this is important since it strengthens our customer relationships. At the same time, we are increasing our knowledge about what our customers need and want to achieve. Thereby we gain insight into the values our property-enhancing products provide.

We will continue to have our foundation in chemistry, but we continually add an increasing degree of application knowledge. We are in a phase where we become increasingly relevant to more and more customers and we foresee that we can accelerate our development. The way we work with customers has given us a direction that may not be exactly the same as when the company was established, but just as exciting. There is now more substance and, more than ever, we have the possibility to create value for both customers and shareholders.



Johan Arvidsson
CEO Nexam Chemical



Growth in the Hungarian business

PLASTiCOLOR was established in Hungary 22 years ago with sales and production of masterbatches. Since then the business has gradually developed but the single most significant change happened in August 2018 when a local color matching center with expertise was established on site. This has significantly improved the lead time and created possibilities for new product development.

“We create 30-40 new samples/products every month, of which the majority are turned into new orders. We receive new requests every day both from our existing as well as new customers. The key to our successful growth is our flexibility which is a result of the highly qualified people we have on all levels - lab, production, administration and sales. The key success factor for a color masterbatch company is to have local expertise to create new colors, produce quality products and offer the service our current and future customers require. We have all these available which is already recognized by the market in Hungary”, says László Megyeri, Managing Director at Plasticolor Hungary.

Some of the customers in Hungary were asked for their view of working with Plasticolor Hungary.

“We have a long-term business relationship with Plasticolor Hungary and they always propose constructive solutions to our requirements. Quality of the masterbatches are very high and always meets our expectations. We highly appreciate the on-time deliveries and smooth communication which all together make it easy to co-operate and do business with them. We highly recommend Plasticolor Hungary to anyone”, says Mónika Dohány at Dorex 2000 Kft, a privately-owned toy manufacturer that started back in 1984.

“We have been working together with Plasticolor Hungary since 2016 with great satisfaction for us. The key factor for choosing Plasticolor Hungary is their flexible approach to our requirements in both existing and new products,” says Ildikó Busa at MPI Kft, a producer of flexible packaging.

“Since the introduction of color matching in Hungary our business started to grow significantly and the team at Plasticolor Hungary is very reliable and competent,” says Peter Földi at Szórádi Kft, a member of the polymer distributor Radka group.

New collaboration secures REACh-approval

Nexam Chemical has recently partnered with the Chinese chemical manufacturer Hope Chemicals. Hope Chemicals is an important supplier to Nexam Chemical and manufactures a raw material that is included in the company's NEXAMITE®-products. In a collaboration, REACh approval has been obtained for import/

consumption of up to 100 tons per year. This approval ensures Nexam Chemical's need for the raw material in the foreseeable future. Nexam Chemical will also act as Hope Chemicals distributor for the product on the European market. The collaboration has just begun, and the future impact of the collaboration is difficult to assess.

Growth on the North American market within high-performance products

The market for high performance products in North America is positive and the business is growing. Our existing customers have placed new orders for deliveries during 2019 and we have new customers being added. It is mainly the market for composites in the high temperature segment that has got a foothold and is now growing. But we also see an increased interest in the electronic segment where several projects have started. High temperature resistant composites are critical for, among other things, new types of jet engines with light and strong designs, which at the same time provide more fuel-efficient air transport.

High-temperature resistant polymers strengthen the performance of composite parts and improve the ability of the parts to withstand extreme heat and severe environmental conditions. These polymers often do a better job compared to more brittle ceramic materials and are lighter than metals. The polymeric materials also provide increased design freedom, which provide additional opportunities to increase efficiency in the finished engine. Therefore, manufacturers have begun to use high temperature resistant polymers instead of using ceramics and exotic metals. The aircraft engine is one of the largest application areas of high temperature composite polymers, as it is exposed to extreme heat.



Source: <https://www.stratviewresearch.com/186/high-temperature-composite-resin-market.html>



RISE Sicomp – an important development partner for Nexam



RISE Sicomp is an important partner for Nexam Chemical concerning the development of high temperature composite products. Daniel Berglund, Manager Process and Material Simulation and project leader for Protick, describes Sicomp and the collaboration with Nexam Chemical.

Sicomp is an organization within the RISE Group. Can you tell us about Sicomp?

Sicomp is a part of the RISE Group and we work with polymeric materials and composites. Our focus within Sicomp is thermoset composites but we see a growing interest for thermoplastic composites. We are extra strong within high temperature composites and the foundation for this was created during 2013 when the first collaboration with Nexam Chemical started. We mainly focus on three application areas for composites – aero, energy and vehicles. Operations are conducted in three geographical locations with different focus. In Piteå we work with high volume products and bio-based systems, in Linköping we are focused on aerospace and in Mölndal we work a lot with crash simulations towards the automotive industry.

You have been working with Nexam Chemical for a long time. Could you tell us about the cooperation?

The collaboration started in 2013 during the EU-project HiTac¹ - High performance composites for demanding high Temperature applications. We were looking for a material that could withstand higher temperature than existing materials for aircraft applications and which at the same time have good and robust processability for increased freedom in design of components. It was a two-year project with excellent results where we used Nexam Chemicals polyimide product NEXIMID[®] MHT-R. The outcome of the project is now used in our new development projects.

¹ <https://cordis.europa.eu/project/rcn/109261/reporting/en>

² <https://www.cleansky.eu/>

You are the project leader for Protick which, is part of the EU initiative Clean Sky². What is the vision for Protick?

Protick is a three-year project with a vision to contribute to the goals that the aero industry has within Flight Path 2050. The goal is to reduce emission of CO₂ by 75% and NO_x by 90% as well as reduced noise level by 65%. We work specifically with high performance composites that can replace metals like titanium. Our calculations indicate that we can reduced weight by 20% compared to the materials used today. Using a material like NEXIMID[®] MTH-R also means that you get increased freedom for design, which contributes to components being manufactured in more efficient shapes. This has, in turn, opened up for new ways of thinking in the industry, connecting the knowledge of material, design and process.

Why has it been important to include a material company as Nexam Chemical in such a visionary project?

Nexam Chemical is an important partner and we appreciate the innovation capacity that the company contributes. It enables the strategy to adapt based on the information we receive in our tests. Nexam Chemical contributes with the best possible technical staff at our project meetings. These are project participants who dare to suggest brave and innovative solutions, which are essential when solving difficult problems.

Nexam Chemical present at this year's JEC World in Paris

In mid-March the 15th annual JEC trade fair was held in Paris. The trade fair brings together many of the customers working within composite materials that are relevant for Nexam Chemical. Nexam Chemical had three representatives on site making new contacts and acquiring knowledge about what is going on in the industry. For Nexam Chemical it is primarily an opportunity to interact with customers and new partners. For Nexam Chemical, the interest at JEC World mainly lies within PET-foam, where all of Nexam Chemicals customers were present, and within high temperature composites (e.g. aero industry). At this year's JEC World the focus was on Aero&Space, Auto&Transport, Construction&Energy and Sports&LifeStyle.



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BREXIT –Nexam Chemical prepared for Britain's exit from the EU

With Nexam Chemicals production facility in Scotland and with the uncertainty surrounding UK's exit from the EU, BREXIT, the company is closely following the development. Regardless of whether UK leaves the EU with or without an agreement, Nexam Chemical has taken a number of measures to assure that the business is affected as little as possible. To ensure the company's ability to deliver to its customers during the coming months, a larger stock of finished products has been moved from Scotland to Sweden.

At the same time, the majority of the import and export of goods for the Scottish operations are done to and from countries outside the EU. Most of the raw material purchased are from Asia and the majority of sales are

exported to customers in North America and Asia. This fact limits the impact of BREXIT since, according to the website of the British government, trade with countries outside of the EU will not be significantly affected. It is the ambition of the British government that bilateral trade agreements, replicating the existing trade agreements that the EU has today, will be signed with these countries before or in close connection to the day of withdrawal. If such trade agreements are not in place, terms according to WTO will apply. As for all companies, BREXIT will have an impact on Nexam Chemical, e.g. if the British customs are overloaded by goods that need to be cleared. The company has taken the preventive measures that are currently possible.



Market trends

New smart materials create stronger and lighter bridge constructions

Technical polymeric foams find new application areas and are now also used in building bridges. The new composite beams made of concrete, steel, fiberglass and polymeric foam are 90% lighter than corresponding steel beam and 66% lighter than the concrete beam. This new ultra-strong composite concrete is expensive, but because it is stronger, engineers can allow a lighter design with less material consumption, which is more sustainable. Read more in the magazine [Illustrerad Vetenskap](#).

Growth in the wind energy market

The wind energy market is growing at around 50 GW per year globally. The annual growth is expected to increase 10% to 55 GW per year by 2023 according to Global Wind Energy Council. In particular, the offshore market will grow on a global scale and will yearly reach up to 7 to 8 GW of new capacity during 2022 and 2023. According to Ben Backwell, CEO of Global Wind Energy Council, 2018 was a positive year for wind in all major markets, with China leading both onshore and offshore growth. There is an expectation for huge growth in Asia through the coming decade and beyond as part of the continuing shift from Europe to Asia as the driving region for wind development.

Source: [Global Wind Energy Council \(GWEC\)](#)

Nexam Chemical Holding AB continues to be listed on Nasdaq First North Premier

When Nexam Chemical, in May 2017, moved from Nasdaq First North to Nasdaq First North Premier it was a step towards a future list change to Nasdaq Stockholm (the “main list”). An assessment was made that it was too premature to apply for a listing on Nasdaq Stockholm. The move to Nasdaq First North Premier was however an important step to increase the interest and confidence of the company. Since then, the Board has regularly looked into a possible change of list. With the recent changes in current regulations for companies listed on Nasdaq First North Premier, as well as the high costs associated with a list change, the Board currently sees no reason to initiate a process for listing on Nasdaq Stockholm. Nexam Chemical will thus remain as listed on Nasdaq First North Premier.

The decision to remain on Nasdaq First North Premier is based on a number of related factors. When a list change was considered, the perception was that a listing on Nasdaq Stockholm would increase the interest in Nexam Chemical and provide an opportunity for institutional investors to invest capital in the company. This would in turn provide opportunities for increased liquidity in the share.

In 2017, however, the Swedish Financial Supervisory Authority [Finansinspektionen](#) made a new interpretation of applicable laws and regulations concerning institutional ownership in MTF-companies, i.e. companies listed on First North, Spotlight etc. This led to that companies listed on MTF-platforms, in respect to institutional ownership, being equated with companies listed on a regulated market, i.e. Nasdaq Stockholm. This change means that there are currently no laws or regulations preventing institutional investor to buy shares in a company like Nexam Chemical. At the same time, Nasdaq has harmonized the requirements on companies listed on Nasdaq First North Premier to those that apply for companies listed on Nasdaq’s main list. The difference between the lists are now minor in all respects except for the costs. A change of list for Nexam Chemical would therefor entail considerable additional costs, which the Board does not currently consider justified.



The issue has been discussed with institutional investors who share the Board's assessment. There are currently no regulation preventing institutional investors investing in shares in companies on Nasdaq First North. However, there might be internal guidelines and policies governing where and how these players may invest. This, however, applies regardless if a company is listed on the main list or Nasdaq First North Premier.

“With the changes made by Finansinspektionen, the Board no longer see the listing on Nasdaq First North Premier as an obstacle to attract relevant equity funds, institutions and other investors who focus on small companies in segments in which Nexam Chemical is found. It is our opinion that the interest in Nexam Chemical, presently, is not dependent on whether it is listed on the main list or Nasdaq First North Premier. What is important for the company’s ability to attract and maintain both private as well as institutional owners depends on how well the work on developing the company and delivering results is carried out. This is also the Board’s and the management’s top priority”, says Lennart Holm, Chairman of the Board.

Dr. Adrian G. Pepper – Fellow of the Royal Society of Chemistry

Dr. Adrian Pepper at Nexam Chemicals facility in St Andrews, Scotland, is the Group Regulatory and EHSQ¹ Manager. Adrian has had a career in chemistry for 25 years, touching many aspects of the industry, from academia to commercial synthetic organic chemistry at laboratory and pilot plant scale and onto company director and business owner. Throughout this time, Adrian has been a member of the Royal Society of Chemistry (RSC), from his student days through to gaining full membership and chartered chemist status as a professional chemist. Most recently, this commitment to chemical excellence brought Adrian significant recognition in his field when the RSC requested him to apply to become a Fellow of the RSC, which is its highest membership category. At the end of 2018, Adrian's FRSC Status was awarded and he is now a Fellow of the Royal Society of Chemistry.

The Royal Society of Chemistry is the professional body for chemical scientists in UK with a heritage spanning 175 years and so to be a Fellow of this prestigious organization is a great privilege and an honor. Read more about the Royal Society of Chemistry on their [website](#).



Adrian joined the Nexam Chemical in 2012 and is currently working as the Group Regulatory and EHSQ Manager, which has him overseeing more aspects of the chemical industry, namely Health and Safety, Environmental and Quality.

"I manage these systems and have achieved ISO 9001, 14001 and 45001 accreditations for the production facility at Nexam St Andrews along with my colleagues here. I also oversee the Groups Regulatory Compliance, covering REACH, CLP² and Food / Water Contact", says Dr. Adrian Pepper.

¹ EHSQ – Environmental Health Safety Quality

² CLP regulates how classification, labelling and packaging of chemical substances are made

Shareholder interaction

Annual General Meeting 2019

Nexam Chemicals Annual General Meeting (AGM) will be held on Thursday, May 16th 2019, at 3.00 pm, at Elite Hotel Ideon, Scheelevägen 27, in Lund. Admission for registration from 2.00 p.m. when coffee with accompaniments will be served. 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 2019.

Småbolagsdagen 2019

On June 3rd, 2019, Nexam Chemical will participate at Småbolagsdagen at Hotel Sheraton in Stockholm. It is the seventh consecutive year that Småbolagsdagen is organized by the Swedish Shareholders Association

([Aktiespararna](#)). The presentation will be sent live on the web and will later also be available on the company website on demand. Registration to the event are made on the Swedish Shareholders Associations website. More information regarding Nexam Chemicals presentation will be published later.

Financial calendar

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|------------------|---------------------------------------|
| 7 May 2019 | Interim Report January-March 2019 |
| 16 May 2019 | Annual General Meeting 2019 |
| 20 August 2019 | Interim Report January-June 2019 |
| 12 November 2019 | Interim Report January-September 2019 |
| 14 February 2020 | Year-End Report 2019 |

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