

Nexam Chemical Holding AB (publ)

Interim Report 1 January – 30 June 2020

Second best quarter so far and continued profitability

Second quarter at a glance

Significant events:

- Continued growth, +3% compared to the corresponding quarter in 2019 despite the covid 19 pandemic.
- EBITDA for the quarter amounted to 0.2 MSEK, compared to 0.3 MSEK compared to the corresponding quarter in 2019. Currency had a negative impact with 1.0 MSEK during the quarter.
- Growth is driven by Performance Chemical which grew by 34% compared to corresponding quarter in 2019.
- Sales within color and additive masterbatch, Performance Masterbatch, was -11% compared to corresponding quarter in 2019, mainly depending on a decrease in Sweden.
- Gross margin increased to 42% compared to 40% during the second quarter in 2019. The primary reason being the increased sales for Performance Chemicals.
- Preferential rights issue was completed and resulted in an addition of just over 43 MSEK after deductions of costs related to the rights issue, corresponding to a subscription ratio of 74%.

Financials:

- Net sales for the second quarter totaled 36 379 (35 195) kSEK.
- The operating profit before depreciation (EBITDA) amounted to 179 (326) kSEK.
- Compared to the beginning of the year, cash and cash equivalents amounted to 50 657 (23 101) kSEK.
- Cash flow from operating activities during quarter was -1 474 (- 2 588) kSEK.
- Result per share for the quarter was -0,05 (-0,03) SEK.

Key Figures for the Group

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Net sales (SEK thousand)	36 379	35 195	78 083	66 949	130 057
Operating profit/loss before depreciation (EBITDA) (SEK thousand)	179	326	2 462	-1 324	-5 576
Cash and cash equivalents (SEK thousand)	50 657	40 772	50 657	40 772	23 101
Cash flow from operations (SEK thousand)	-1 474	-2 588	-5 414	-16 839	-21 277
Equity (SEK thousand)	192 443	164 577	192 443	164 577	154 702
Equity per basic share (SEK)	2,54	2,44	2,54	2,44	2,29
Equity/asset ratio (%)	73	66	73	66	68
Total assets (SEK thousand)	263 514	248 419	263 514	248 419	227 798
Quick ratio (%)	206	185	206	185	142
Average number of basic shares	75 803 367	67 519 019	75 803 367	67 519 019	67 519 019
Average number of diluted shares	75 803 367	67 519 019	75 803 367	67 519 019	67 519 019
Basic earnings per share (SEK)	-0,05	-0,03	-0,06	-0,09	-0,25
Diluted earnings per share (SEK)	-0,05	-0,03	-0,06	-0,09	-0,25
Share price on balance sheet date (SEK)	6,36	7,34	6,36	7,34	8,10

Note: This 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, Johan Arvidsson

Growth continues despite strains in the rest of the world

After presenting a first quarter that was the strongest so far in sales in Nexam Chemical's history, a lot has happened in our business as well as in the outside world. The Covid-19 pandemic has affected global business during the second quarter, which inevitably also had consequences for us. Despite the great global uncertainty, sales in the second quarter will be SEK 36.4 M (35.2), the second-best quarter so far. This means that in the first half of 2020 we delivered our two strongest quarters to date.

“... means that in the first half of 2020 we delivered our two strongest quarters to date...”

Nexam Chemicals' growth journey continues. At the same time, it is clear that during Q2 we experienced a notch in the curve caused by the covid-19 pandemic. Customer behavior has differed from the normal situation, perhaps above all in the form of an increased fear of keeping raw material stocks to the same extent as usual. Orders have also arrived later than usual and the logistics chains, often with many parties involved, have been slower. To this should be added that shipping costs, in particular flights, have become more expensive. However, it is important to point out that we have not seen any signs that the underlying demand for our products and solutions has decreased. On the contrary, we see a continued increase, as our growth also proves. But the pandemic means that it is simply more complicated to do business at the same time as there is a general concern in the world economy. For our business, this has meant that we have worked to improve our internal processes to handle rapid volume fluctuations and unpredictable logistics chains.

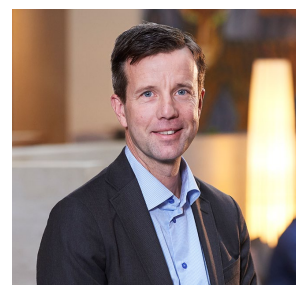
As planned, Performance Chemical accounted for growth in the quarter at 34 percent, while Performance Masterbatch fell by 11 percent. It is also Performance Chemical that is least affected by the effects of the pandemic. Of course, the growth in Performance Chemical could have been greater in a "normal situation", but it became clear during Q2 how our two business units together form a well-functioning unit

which also spreads risks and makes us less vulnerable to various market conditions.

DNB has begun a commissioned research of Nexam Chemical and published its first analysis of us on the 16th of June. The title of the analysis is "Significant opportunity on the horizon", which DNB justifies by saying that Nexam Chemical today offers opportunities for good business in terms of sustainability, current financial situation and faces potential growth. Erik Penser Bank, which previously published analyzes of Nexam Chemical, will not continue.

“...continue to grow, which is an important part of proving the potential in our business...”

Considering the extraordinary circumstances, I think that Nexam Chemical has performed well in the first half of 2020. We continue to grow, which is an important part of proving the potential in our business. At the same time, known external factors have slowed down the growth rate somewhat. We are constantly getting better at mitigating difficult circumstances, even if they can never be completely avoided. In total we are on the right path where we grow and are profitable. We have a healthy business and a promising future. Like many others, we naturally hope for a slightly higher degree of market stability in the future so that the logistics chains also function well. Growth is never a straight line, and to create good results over time, it is important to have both endurance and explosiveness. I mean that this combined with a large market potential is something that Nexam Chemical has.



Johan Arvidsson, CEO

This is Nexam Chemical

Nexam Chemical

Stronger, lighter and recyclable materials. It is one part of what the world needs to be able to grow in a sustainable way. We at Nexam Chemical can contribute to this. We work with improving polymeric materials – more commonly described as plastics. By adding our products, the customer can create materials that will give the end-products completely new and effective properties. Such as lower weight, increased heat resistance and strength, longer life cycle and increased recycling.

Today we help our customers to improve materials that are then used in everything from computers, wind turbines and vehicle components to water pipes and food packaging. We are a growth company with a turnover of approximately SEK 130 million, with production in four countries, employs about forty persons and cooperates with well-known chemical and material companies all over the world.

The Company's head office is located in Lomma, Sweden. Development of new products and applications and formulation evaluation takes place in the laboratory in St. Andrews, Scotland where also the facility for production of the Company's molecules are located. Large scale production of the company's unique molecules is performed in collaboration with contract manufacturers. Manufacturing of masterbatch and multifunctional masterbatch is performed by the subsidiary Nexam Performance Masterbatch.

Our vision

To be a recognized world-leader in property modification of polymeric materials through heat-activated chemistry.

Our mission

To contribute to a more resource-efficient and sustainable society through innovative chemistry that improves properties, usability and recycling of polymeric materials.

Our sustainability vision

Nexam Chemical strives towards a sustainable future through innovative and reactive chemistry and to create possibilities to save on our valuable and scarce natural resources. We want to enable our customers to develop lighter, stronger, more durable and more recyclable products.

Financial comments

Sales and profit

Net sales for the quarter totaled SEK 36,379,000 (35,195,000). Other operating income for the quarter amounts to SEK – 1,000,000 (558,000) and consists mainly of changes from effects of exchange rates.

The personnel expenses during the quarter totaled SEK - 6,550,000 (- 7,413,000) and other operating expenses totaled SEK - 7,487,000 (- 6,840,000). The depreciation for the period amounts to SEK - 2,668,000 (- 2,469,000) of which SEK - 1,100,000 (- 1,100,000) concerns depreciation of acquired immaterial surplus values. The profit/loss before depreciation (EBITDA) amounted to SEK 179,000 (326,000). The operating profit/loss before tax for the quarter came in at SEK -3,443,000 (-2,460,000). Difference is mainly driven by a currency loss of 1,000,000.

Personnel and organization

The number of employees in the Group, restated as full time equivalents were 42 (40) at the end of the quarter. Of these, 35 (36) were men and 7 (4) women.

Investments

The total investment in intangible assets during the year amounts to SEK 1,856,000 (1,069,000) and for the material assets SEK 1,738,000 (130,000).

Cash flow

The cash flow from the operating activities during the quarter amounted to SEK - 1,474,000 (- 2,588,000). Changes in working capital has affected the cashflow negatively with SEK - 593,000 (- 2,720,000). During the quarter, net amortization of bank loans has affected the cashflow with SEK - 3,030,000 (- 3,259,000). The total cash flow for the quarter amounted to SEK 36,498,000 (- 5,277,000). New rights issued contributed to a capital injection of SEK 43,026,000.

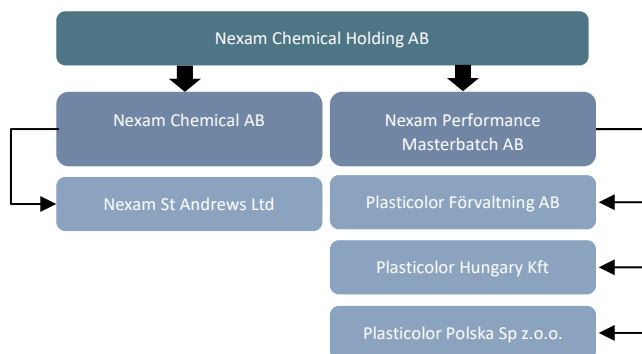
Financial position

Compared to the beginning of the year, the equity/assets ratio was 73 (66) percent, and the equity was SEK 192,443,000 (164,577,000). Cash and cash equivalents amounted to SEK 50,657,000 (40,772,000) compared to the beginning of the year. The Group has at the end of the period an interest-bearing debt of SEK 43,358,000 (56,674,000) compared to the beginning of the year.

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 consists of the parent company Nexam Chemical Holding AB (publ) and two subgroups, Nexam Chemical and Nexam Performance Masterbatch. All



companies in the Group are wholly owned.

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 2019.

Financial instruments. Nexam Chemical has only financial assets and liabilities valued at amortized cost. As these financial assets and liabilities are due within twelve months, the value is estimated to correspond to fair value.

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 since the fourth quarter 2019 divided into two different operating segments regarding revenue. The segments are Performance Chemicals and Performance Masterbatch. Performance Chemicals consists of Nexam Chemicals product portfolio and Performance Masterbatch consists of Nexam Performance Masterbatch's product portfolio.

Reporting standards.

As of January 1, 2019, Nexam Chemical applies IFRS 16.

Transactions with related parties

No transactions with related parties have occurred, except for determined remuneration for the Board of Directors and remuneration in accordance with employment agreement. The principles for these remunerations are stated in the annual report 2019.

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 2019 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.

The Board of Directors and the Chief Executive Officer certify that the interim financial 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.

Lomma 17th of July 2020

Mats Persson
Chairman of the Board

Cecilia Jinert Johansson
Member of the Board

Jonna Opitz
Member of the Board

Ronnie Törnqvist
Member of the Board

Johan Arvidsson
CEO

Financial Statements in summary

Consolidated income statement in summary						
(SEK '000)	Note	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Net sales	2,3	36 379	35 195	78 083	66 949	130 057
Other operating income		-1 000	558	-196	1 667	2 046
		35 378	35 753	77 887	68 616	132 103
Operating expenses						
Raw materials and consumables		-21 163	-21 177	-45 016	-40 229	-78 377
Operating expenses		-7 487	-6 840	-15 785	-13 030	-28 750
Personnel cost		-6 550	-7 413	-14 624	-16 684	-30 552
Depreciation and write-down of tangible and intangible assets		-2 668	-2 469	-5 176	-4 889	-9 836
Other operating expenses		-	3	-	3	-
Operating profit/loss		-2 489	-2 143	-2 714	-6 213	-15 412
Financial items						
Financial income		-14	11	128	19	24
Financial costs		-940	-328	-1 310	-604	-1 632
Profit/loss before tax		-3 443	-2 460	-3 896	-6 798	-17 020
Income tax		-87	-18	-174	-53	-54
Profit/loss for the period		-3 530	-2 478	-4 069	-6 851	-17 074
Other comprehensive income						
<i>Items that may be reclassified to profit or loss</i>						
Translation differences on foreign subsidiaries		-366	189	-402	461	-68
<i>Sum of other comprehensive income, net after tax</i>		<i>-366</i>	<i>189</i>	<i>-402</i>	<i>461</i>	<i>-68</i>
Comprehensive result for the period		-3 896	-2 289	-4 471	-6 390	-17 142
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)		-0,05	-0,03	-0,06	-0,09	-0,25
Diluted earnings per share (SEK)		-0,05	-0,03	-0,06	-0,09	-0,25
Average number of basic shares		75 803 367	67 519 019	75 803 367	67 519 019	67 519 019
Average number of diluted shares		75 803 367	67 519 019	75 803 367	67 519 019	67 519 019

Consolidated balance sheet in summary				
(SEK '000)	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS				
Intangible assets	1	105 641	107 065	106 223
Tangible assets		46 991	50 230	49 201
Financial assets		97	98	98
Inventory		33 803	23 689	24 884
Trade receivables		20 590	22 945	19 126
Other receivables		5 735	3 620	5 166
Cash and bank		50 657	40 772	23 101
TOTAL ASSETS		263 514	248 419	227 798
EQUITY AND LIABILITIES				
Equity		192 443	164 577	154 702
Long-term debt with interest		30 059	43 612	35 797
Other long-term debt		3 315	3 781	3 603
Provisions for pension		263	-	230
Short term debt with interest		13 299	13 062	14 040
Trade payables		16 101	13 586	12 090
Other liabilities		8 034	9 801	7 337
TOTAL EQUITY AND LIABILITIES		263 514	248 419	227 798

Consolidated changes in equity in summary					
(SEK '000)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	31 Dec 2019
Balance at the beginning of the period	153 888	166 450	154 702	170 551	170 551
Profit/loss for the period	-3 530	-2 478	-4 069	-6 851	-17 074
Other comprehensive income	-942	189	-1 216	461	809
Transactions with shareholders	43 026	416	43 026	416	416
Balance at the end of the period	192 443	164 577	192 443	164 577	154 702

Consolidated cash flow in summary					
(SEK '000)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Cash flow from operating activities					
Operating income	-2 488	-2 143	-2 714	-6 213	-15 412
Adjustment from non-cash items	1 607	2 275	3 544	4 023	8 321
Cash flow from operations before changes in working capital	-881	132	830	-2 190	-7 091
Changes in working capital	-593	-2 720	-6 244	-14 649	-14 186
Cash flow from operations	-1 474	-2 588	-5 414	-16 839	-21 277
Cash flow from investment activities	-1 745	-1 199	-3 534	-6 062	-10 506
Cash flow from financing activities	39 717	9 064	36 697	9 829	798
Cash flow for the period	36 498	5 277	27 749	-13 072	-30 985
Cash and cash equivalents at the beginning of the period	14 305	35 448	23 101	53 705	53 705
Effect of exchange rate changes on cash	-146	47	-193	139	381
Cash and cash equivalents at end of period	50 657	40 772	50 657	40 772	23 101

Parent company - Income statement in summary					
(SEK '000)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Net sales	2 758	1 849	2 758	4 849	8 246
	2 758	1 849	2 758	4 849	8 246
Operating expenses					
Operating expenses	-920	-1 177	-1 951	-2 142	-4 360
Personnel cost	-1 159	-1 633	-2 870	-4 944	-7 658
Operating profit/loss	679	-961	-2 063	-2 237	-3 772
Financial items					
Write down financial assets	-	-1 000	-	-5 000	-5 000
Interest expenses and other similar loss items	-225	-206	-468	-421	-939
Profit/loss before tax	454	-2 167	-2 531	-7 658	-9 711
Appropriations	-	-	-	-	600
Profit/loss for the period	454	-2 167	-2 531	-7 658	-9 111

Parent company - Balance sheet in summary				
(SEK '000)	30 Jun 2020	30 Jun 2019	31 Dec 2019	
ASSETS				
Financial assets	409 436	409 076	409 303	
Receivables from group companies	43 037	43 198	44 669	
Other receivables	590	754	272	
Cash and bank	35 319	9 876	-413	
TOTAL ASSETS	488 382	462 904	453 831	
EQUITY AND LIABILITIES				
Equity	454 291	415 226	413 773	
Provisions for pension	1 347	172	1 180	
Long-term debt with interest	18 000	30 000	24 000	
Short term debt with interest	12 000	12 000	12 000	
Trade payables	410	978	510	
Other liabilities	2 335	4 528	2 368	
TOTAL EQUITY AND LIABILITIES	488 382	462 904	453 831	

Note 1 - Intangible assets

(SEK '000)	Goodwill	Market positions	Development costs	Patents
Accumulated cost				
Opening balance 1 January 2020	45 943	44 000	24 660	5 934
Additions	-	-	1 856	-
Re-classification	-	-	-560	560
Closing balance 30 June 2020	45 943	44 000	25 956	6 494
Accumulated depreciation				
Opening balance 1 January 2020	-	-9 167	-3 310	-1 837
Expensed depreciation for the period	-	-2 200	-127	-111
Closing balance 30 June 2020	-	-11 367	-3 437	-1 948
Residual value 30 June 2020	45 943	32 633	22 519	4 546
Accumulated cost				
Opening balance 1 January 2019	45 943	44 000	21 389	5 934
Additions	-	-	3 271	-
Closing balance 31 December 2019	45 943	44 000	24 660	5 934
Accumulated depreciation				
Opening balance 1 January 2019	-	-4 767	-2 817	-1 787
Expensed depreciation for the period	-	-4 400	-493	-141
Capitalized depreciation for the period	-	-	-	91
Closing balance 31 December 2019	-	-9 167	-3 310	-1 837
Residual value 31 December 2019	45 943	34 833	21 350	4 097

Note 2 - Net sales divided in geographical markets

(SEK '000)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Net sales Sweden	8 726	10 970	16 834	21 589	36 320
Net sales Europe	22 754	22 437	44 872	41 117	75 586
Net sales rest of the world	4 899	1 788	16 377	4 243	18 151
	36 379	35 195	78 083	66 949	130 057

Note 3 - Net sales divided in segmentsgeographical markets

(SEK '000)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Performance Masterbatch	21 004	23 683	42 927	47 114	85 483
Performance Chemicals	15 375	11 512	35 156	19 835	44 574
	36 379	35 195	78 083	66 949	130 057

Share capital, shares and ownership

The Company's share capital totals SEK 1,457,757.06 divided into 75,803,367 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 Growth Market under the ticket NEXAM. Approximately 3.5 million shares have been turned during the quarter 2020 and the average price during the period was SEK 6.44 per share.

Incentive programs

The company has one ongoing incentive programs with a total of 1,038,500 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 1.4 %.

For more information and the full terms and conditions of incentive program 2019/2022, please see the resolutions from the Annual General Meetings in 2019.

Allotment date	Price per warrant (SEK)	Earliest redemption date	Final due date	Redemption price (SEK)	Outstanding warrants 30 th of June 2020	Dilution if fully exercised
2019-06-30	0.40	2022-08-26	2022-09-09	11.51	808,500	1.1 %
2020-05-12	0.26	2022-08-26	2022-09-09	11.51	230,000	0.3 %

Shareholders

The number of shareholders as of 30th of June 2020 was 6,105.

Shareholders	Shares	Percent
Försäkringsbolaget, Avanza Pension	12 036 590	15,9%
SIX SIS AG	11 296 813	14,9%
Länsförsäkringar Småbolag Sverige	2 836 651	3,7%
Lennart Holm, privately and via company	2 465 232	3,3%
Nordnet Pensionsförsäkring AB	2 208 296	2,9%
Goldman Sachs International Ltd	2 025 297	2,7%
Michael Karlsson, privately and via company	1 377 342	1,8%
IBKR Financial Services AG	1 308 650	1,7%
Swedbank Försäkring	925 496	1,2%
Björn Parkander	912 517	1,2%
Other shareholders (approx. 6,100)	38 410 483	50,7%
Total	75 803 367	100,0%

Financial calendar

22 Oct 2020 Interim Report January-September 2020
 28 Jan 2021 Year-End-Report 2020

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 July 17, 2020.

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