

Nexam Chemical Holding AB (publ)

Year-End Report 1 January – 31 December 2014

The fourth quarter at a glance

Operations:

- As of 1 January 2015 Anders Spetz has been appointed new CEO of Nexam Chemical.
- NEXIMID® MHT-R, a new resin for high temperature applications, has been launched.
- NEXAMITE® PBO, a multifunctional additive, has been introduced on the market.
- Nexam Chemical and BASF have jointly decided not to extend the exclusivity agreement which expires in May 2015. This enables Nexam Chemical to collaborate with other partners regarding nylon-66.
- The exclusivity agreement with Armacell has been extended after delays in the developing process. This is a result of a strategic decision made by Armacell to switch over to recycled PET.
- The rPET project, partly financed by Eurostar, began during the quarter as a collaboration with Armacell and The European Van Company. The aim of the project is to develop a product that can help PET and recycled PET to be upgraded for use in, e.g. sandwich composites for production of vehicle bodies.

Financial & legal:

- Net sales for the fourth quarter totalled SEK 642,000 (1,707,000). Profit/loss before tax for the period amounted to SEK -10,446,000 (-8,126,000).
- Total assets at the end of the period amounted to SEK 84,880,000 (54,516,000), with cash and cash equivalents accounting for SEK 62,543,000 (32,511,000).
- The net cash flow for the fourth quarter was SEK -8,961,000 (-7,172,000).

Key events after end of the period

- The Management and key persons in the company has subscribed for a total of 700,000 warrants.
- Christian Svensson, acting CFO since August 2014, has been employed.
- Two new patents has been approved. In the US, for a new process of manufacturing EBPA and in Europe for catalysis of crosslinking.

Key Figures for the Group

Key figures for the Group	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Net sales (SEK thousand)	642	1,707	1,602	2,547
Operating profit/loss (SEK thousand)	-10,859	-8,537	-35,497	-26,790
Cash and cash equivalents (SEK thousand)	62,543	32,511	62,543	32,511
Equity (SEK thousand)	73,804	43,523	73,804	43,523
Equity per basic share (SEK)	1.44	0.92	1.44	0.93
Equity/asset ratio (%)	87.0	79.8	87.0	79.8
Total assets (SEK thousand)	84,880	54,516	84,880	54,516
Quick ratio (%)	903.2	599.9	903.2	599.9
Average number of basic shares	51,138,904	47,015,419	51,138,904	47,015,419
Average number of diluted shares	51,740,703	47,364,575	51,740,703	47,364,575
Basic earnings per share (SEK)	-0.20	-0.17	-0.69	-0.56
Diluted earnings per share (SEK)	-0.20	-0.17	-0.69	-0.56
Share price on balance sheet date (SEK)	11.55	10.30	11.55	10.30

Chairman of the Board, Lennart Holm, comments on the year just ended

Short-term disappointment, but undiminished confidence in the future

Nexam Chemical started the year positively by signing two exclusive supply agreements, with BASF and Armacell, which, during the year, were both expected to lead to the company's first sale of commercial volumes. The development work and tests conducted within the framework of these agreements have produced a large amount of positive results, but also some setbacks. We have learned a huge amount in the past year, but must also acknowledge that chemistry is a complex science and that development work is not always straightforward. We did not succeed in delivering on the anticipated commercial volumes that were promised, which naturally, is a disappointment for us.

To achieve commercial deliveries on a larger scale, products need to be evaluated and accepted throughout the value chain. We have focused much of our attention on developing and launching products for large, but relatively mature markets with long value chains, in which a number of stakeholders evaluate our products and need to be convinced of their value. We underestimated the inherent sluggishness caused by awareness of the potentially devastating consequences of an erroneous decision regarding materials. We will learn from this as we move forward.

With BASF, we agreed not to extend the exclusive agreement, which, on the positive side, enables us to initiate cooperation with other players that have shown interest in Nexam Chemical's crosslinkers in Nylon 66. Work on our crosslinkers in Nylon 66 will definitely not be suspended and we anticipate evaluating material in components for the automotive and electrical industries in 2015.

Regarding Armacell, the development project was delayed after Armacell made a strategic decision to change from "virgin PET" to rPET (recycled green PET) for the manufacture of PET foam. Using rPET as the raw material, the dynamic of both the chemistry and the manufacturing process is changed, which means that parts of the completed development work, which includes our crosslinking technology, must be redone, with delays as a result. Our cooperation with Armacell is continuing and being intensified, as we have extended our exclusive supply agreement and initiated a new development project for recycled PET that is part-financed by EUROSTAR.

Although we did not succeed in living up to the expectations that we had for sales, there have been many positive developments in the past year.

Our cooperation with a major pipe manufacturer has taken decisive steps forward and in 2015, full-scale tests will take place at the customer using products that include our crosslinking. Interest in and sales of our NEXIMID® products for applications in polyimides grew during the year. The polyimide segment is no huge market for the company in the near future, but provides a key indication that our chemistry works and creates value for the customer. We launched two new products, NEXAMITE® PBO and NEXIMID® MHT-R, and marketing and sales activities for these are now set to be intensified.

During the latter part of the year, the founders and the Board resolved in a joint initiative to undertake an organizational reinforcement of the company aimed at taking a distinct step into the commercialization phase. The company needs to broaden its competence base and shift focus from entrepreneurship and product development to a commercial approach headed by a CEO with long experience of marketing and sales. As of the beginning of the year, the four founders have assumed an active advisory role in the company, while a new management group has been appointed. In our new CEO, Anders Spetz, Nexam Chemical now has an experienced leader with strong commercial competence and drive. Looking at the way Anders has approached his brief already during his first month at Nexam Chemical, I look forward with great hope to the company's development in the coming years.

To me, Nexam Chemical remains a highly exciting business with unique potential. Rome was not built in a year; it takes time to establish new, technology-intensive operations in mature markets, but when it succeeds, it does so with a very strong position. We are now entering 2015 with confidence. Our base is a strongly innovative product portfolio, with employees that have a high level of competence in chemistry and processes, which is what is needed to understand the market's needs. The focus has shifted to the market, in which we are now establishing a much more customer-centric organization with the task of transforming our knowledge and our existing products into concrete value for our customers.

Lennart Holm, Chairman of the Board

Comments from the CEO, Anders Spetz

Business development with customer focus

These first few weeks at Nexam Chemical have been intense and inspiring. As usual when encountering a new business and new people, some aspects are expected while others come as a surprise. Even before I started, I was convinced of the relevance of Nexam Chemical's technology, but now I am even more convinced and astonished by its breadth and depth. Through the technology developed by our R&D team in recent years, we have established a strong foundation for building a sustainable business. Another of Nexam Chemical's strengths that I have discovered during this initial period, is the deep competence and vast knowledge of chemistry and processes that my new coworkers command. There is a drive and enthusiasm in the organization, with everyone genuinely keen to make an effort to create a successful company.

Although we have this solid foundation on which to build, a whole lot of work remains to be done. In particular, we have a need to develop a well-defined and manned sales process. It is not surprising that Nexam Chemical's sales do not meet expectations. With a focus on the sales process and the right staff in place, which will require some time, we will see improvements. The company is now in its commercialization phase, which requires a comprehensive change effort with the aim of becoming a fully business-driven operation.

With my background from the plastics industry, I can clearly see and understand the structure of demand and the enormous potential for the plastics market. The plastics additives market served by Nexam Chemical is constantly expanding and annual growth of 5 percent is anticipated until 2020. This is driven by the general growth of plastic usage in society and the fact that environmental and sustainability issues are high on the agenda. Recycling represents an extremely important and positive component for Nexam Chemical.

”The business model... based on customer intimacy.”

Our technology can contribute to relevant solutions for several current issues. Nexam Chemical's technology is unique and opens up new areas of the market, without the need for customers to make major investments, entailing that the opportunities for growth in our area – property improvements in plastics – are considerable.

The business model I envision for the further development of the company is based on customer intimacy. Cooperation with the customer to further develop applications in which Nexam Chemical's technology offers concrete customer value, creating possibilities for growth and profitability for both parties.

By reallocating resources, I anticipate being able to increase the focus on marketing and sales with no material cost increases. We are in the final phase of recruiting a CMO who, together with me, will focus all attention on marketing and customers. We are also further strengthening our organization by employing Christian Svensson as CFO. Since August 2014, Christian has been working with great merit with the company on a consultant basis. For the past seven years, he has had his own business, focusing on interim assignments as CFO. Christian, with his experience of financial processes in listed companies, brings key expertise for our continued business development.

I very much look forward to accelerating our commercialization in cooperation with the employees of Nexam Chemical – it's time to do business!

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 same 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. At the end of the year, Nexam Chemical had 17 employees in Sweden and eight in Scotland. The Company's head office and R&D are in Lund, Sweden, but its production takes place in St. Andrews, Scotland, and by contract manufacturers with access to large-scale production facilities.

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 currently works with more than 20 of the world's 100 largest chemical and materials companies.

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 totalled SEK 642,000 (1,707,000), where sales in 2013 was strongly influenced by invoiced qualification volumes in a development project. Net sales for the full year amounted to SEK 1,602,000 (2,547,000). Compared to 2013, when Nexam St Andrews also conducted external projects, the sales during 2014 is the result of more continuous deliveries of the company's launched products. Other operating income for the quarter amounts to SEK 644,000 (387,000) and for the year SEK 840,000 (2,910,000). A large part of other operating revenues relates to EU grants for development projects, which in the fourth quarter amounted to SEK 95,000 (349,000) and for the full year SEK 401,000 (2,735,000).

The personnel expenses during the quarter totalled SEK -3,880,000 (-3,878,000) and other operating cost SEK -6,172,000 (-3,494,000). For the year personnel expenses amounted to SEK -13,796,000 (-12,923,000) and other operating expenses SEK -18,076,000 (-13,734,000). The cost for personnel has increased due to additional number of employees compared to corresponding periods. Other operating expenses were affected by increased costs for consultants which refers to the recruitment of new management, marketing expenses, and costs incurred for the planned change of trading venue, and consultancy cost for certain management functions. A majority of the increased costs are of a one-time nature. Earning for the quarter was also affected by an impairment loss of SEK 1,212,000 pertaining to previously acquired intellectual property rights. The profit/loss before tax for the quarter came in at SEK -10,446,000 (-8,126,000) and for the full year SEK -35,053,000 (-26,508,000).

Personnel and organization

The average number of employees for the year has increased from 22 to 23 persons whereof 15 (13) in Sweden and 8 (9) in Scotland.

Investments

Investments for the period totalled SEK 0.6 million. Total investment during the year amounts to approximately SEK 1.8 million. This includes investment in laboratory equipment, furniture when moving to new premises and improvements on the property in Scotland.

Cash flow

The cash flow during the fourth quarter amounted to SEK -8,961,000 (-7,172,000). The negative cash flow is somewhat higher than planned and is due to increased non-recurring costs as indicated above. For the year the cash flow totalled to SEK 29,856,000 (25,227,000), where the cash flow for both 2013 and 2014 has been positively affected by capital contribution through share issues of SEK 64,689,000 respectively SEK 53,820,000. The cash flow from operating activities during the period was SEK -7,718,000 (-5,216,000), of which change in working capital was SEK 893,000 (1,816,000), mainly driven by increased current liabilities during the period.

Financial position

The equity/assets ratio was 87 (80) percent as of 31 December 2014, and the equity was SEK 73,804,000 (43,523,000). Cash and cash equivalents amounted to SEK 62,543,000 (32,511,000) as of 31 December 2014. The long-term interest bearing liabilities includes a bank loan from Handelsbanken Scotland relating to the operations in Nexam St Andrews Ltd.

Financial statements

Income statement for the Group				
(kSEK)	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Net sales	642	1,707	1,602	2,547
Other operating income	644	387	840	2,910
Raw materials and consumables	-158	-2,404	-1,911	-3,020
Personnel expenses	-3,880	-3,878	-13,796	-12,923
Other operating expenses	-6,172	-3,494	-18,076	-13,734
Depreciation, amortization & impairment	-1,935	-855	-4,156	-2,570
Operating profit/loss	-10,859	-7,537	-35,497	-26,790
Financial net	413	411	444	282
Profit/loss before tax	-10,446	-8,126	-35,053	-26,508
Income tax	1	-5	1	-5
Profit/loss for the period	-10,445	-8,131	-35,052	-26,513

Balance sheet for the Group			
(kSEK)		31 Dec 2014	31 Dec 2013
Assets			
Non-current assets			
Intangible assets		2,200	3,572
Tangible assets		12,564	12,367
Financial assets		5	5
Total non-current assets		14,769	15,944
Current assets			
Inventories		4,637	2,824
Other current assets		2,931	3,237
Cash and bank balance		62,543	32,511
Total current assets		70,111	38,572
Total assets		84,880	54,516
Equity and liabilities			
Equity		73,804	43,523
Liabilities			
Non-current liabilities		3,827	5,034
Current liabilities		7,249	5,959
Total liabilities		11,076	10,993
Total equity and liabilities		84,880	54,516

Statement of changes in equity				
(kSEK)	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Equity at the start of the period	84,097	51,174	43,523	15,676
New share issues and subscription rights	-	-	67,500	53,820
Issuing costs	-	-	-2,811	-
Non-cash issue	-	-	-	13,737
Cost of non-cash issue	-	-	-	-13,687
Profit/loss for the period	-10,445	-8,131	-35,052	-26,513
Translation difference	152	480	644	490
Equity at the end of the period	73,804	43,523	73,804	43,523

Cash flow statement for the group				
(kSEK)	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Cash flow from operating activities before changes in working capital	-8,611	-7,032	-31,019	-23,572
Changes in working capital	893	1,816	-472	-1,198
Cash flow from operating activities	-7,718	-5,216	-31,491	-24,770
Net cash from investing activities	-579	-1,368	-1,779	-2,933
Net cash from financing activities	-664	-588	63,126	52,930
Net cash flow for the period	-8,961	-7,172	29,856	25,227
Cash and cash equivalents at start of period	71,388	39,640	32,511	7,265
Translation difference in cash & cash equivalents	116	43	175	19
Cash and cash equivalents at the end of period	62,543	32,511	62,543	32,511

Income statement for parent company				
(kSEK)	Oct-Dec 2014	Oct-Dec 2013	Full Year 2014	Full Year 2013
Net sales	1,706	1,483	6,033	4,776
Personnel expenses	-671	-890	-2,534	-2,198
Other operating expenses	-2,611	-1,042	-6,262	-2,561
Operating profit/loss	-1,576	-449	-2,763	17
Financial net	413	-2	627	-2
Profit/loss before tax	-1,163	-451	-2,136	15
Income tax	1	-5	1	-5
Profit/loss for the period	-1,162	-456	-2,135	10

Balance sheet for the parent company		
(kSEK)	31 Dec 2014	31 Dec 2013
Assets		
Non-current assets		
Financial assets	243,990	243,990
Total non-current assets	243,990	243,990
Current assets		
Other current assets	42,197	698
Cash and bank balance	22,462	1,314
Total current assets	64,659	2,012
Total assets	308,649	246,002
Equity and liabilities		
Equity	306,604	244,050
Liabilities		
Current liabilities	2,045	1,952
Total liabilities	2,045	1,952
Total equity and liabilities	308,649	246,002

Lund, 25 February 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 995,769.23, divided up 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 25.9 million shares have been turned over during the fourth quarter of 2014, which is more or less equivalent to half of the total number of outstanding shares. The average price during the period was SEK 15.95 per share.

Incentive programs

The Company's subsidiary, Nexam Chemical AB, has issued 7,280 share warrants to the staff divided up into three employee share option schemes with redemptions in 2016, 2017 and 2018. The warrants were issued at market conditions. Each warrant entitles the holder to subscribe to a share in the subsidiary Nexam Chemical AB. The Company has entered into an agreement with the warrant holders concerning a right for Nexam Chemical Holding AB to acquire any subscribed shares in the subsidiary in exchange for payment in the form of 182.5034 newly issued shares in Nexam Chemical Holding AB for each newly issued share in the subsidiary. If all share warrants are used to subscribe for shares in the subsidiary, Nexam Chemical Holding AB will issue a total

of 1,328,625 shares as payment. If all these shares are issued, the dilution would amount to approximately 2.5% given the current number of outstanding shares.

In accordance with the resolution at the Annual General Meeting on 14 May 2014, Nexam Chemical has in September 2014, without consideration, issued 1,083,849 warrants to its wholly owned subsidiary Nexam Chemical AB. The subsidiary have the right to transfer warrants to senior executives and key persons in the Nexam Chemical Group at fair market value. Each warrant entitles the holder to acquire one new share in Nexam Chemical Holding AB at a redemption price estimated at SEK 35.20 per share in September 2014. If all 1,083,849 warrants are exercised the dilution will be approximately 2.0% given the current number of outstanding shares.

In January 2015, senior executives and key persons subscribed for a total of 700,000 warrants at a market value of SEK 0.20 per warrant calculated according to the "Black Scholes" formula.

Shareholders

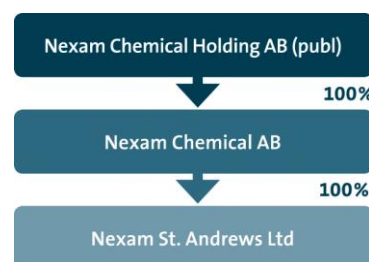
The number of shareholders as of 31 December 2014 was 8,936, an increase of approximately 2,900 shareholders since the beginning of the year.

Shareholders ¹	Aktier	Andel
UBS AG on behalf of client	4,357,377	8,4 %
Försäkringsbolaget, Avanza Pension	4,098,922	7,9 %
Lennart Holm, via company	2,091,596	4,0 %
Nordnet Pensionsförsäkring AB	1,996,302	3,9 %
Per Palmqvist Morin, via company and family	1,570,569	3,0 %
Jan-Erik Rosenberg, private and via company	1,548,866	3,0 %
SIX SIS AG	1,548,555	3,0 %
Richard Tooby, private and via company	1,504,266	2,9 %
AMF Aktiefond Småbolag	1,500,986	2,9 %
Daniel Röme, via company	1,500,237	2,9 %
Other shareholders (approx. 8,900 owners)	30,062,324	58,1 %
Totalt	51,780,000	100,0 %

¹ Source: Share register kept by Euroclear and information known to the company as of 31 December 2014.

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 2013 Annual Report. For more information, see the Group's 2013 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 2013 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.

2015 Annual General Meeting

Nexam Chemical's Annual General Meeting will be held on Tuesday, 12 May 2015, at 3:00 pm, at Hörsalen, Medicon Village, Scheelevägen 2, 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 on 24 March 2015. 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 consists of the following people: Carl Hegelund, Chairman of the Nomination Committee and appointed by Per Palmqvist Morin; Per Samuelson, appointed by Michael Karlsson; and Lennart Holm, Chairman of the Board.

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 28 February 2015. The Nomination Committee will then be able to process them with sufficient care.

Financial calendar

20 April 2015	Interim Financial Statements January-March 2015
12 May 2015	Annual General Meeting
20 August 2015	Interim Financial Statements January-June 2015
12 November 2015	Interim Financial Statements January-September 2015
18 February 2016	2015 Year-End Report

Interim reports are available on www.nexamchemical.com. The Annual Report for 2014 will be published on Nexam Chemical's website during week 17/2015.

For further information concerning the report, please contact:

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This Year-End Report is published in Swedish and English.
The Swedish text shall govern for all purposes and prevail in case of any discrepancy with the English version.

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