

# Nexam Chemical

## 2014 Annual Report

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This Annual Report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.



Nexam Chemical's unique technology and products aim to enhance the performance of plastics. To name one example, Nexam Chemical's products can improve the quality of recycled plastic.

## 2009

- Management buyout from Perstorp, and the formation of Nexam Chemical.
- Construction of the chemicals and plastic processing laboratory commences, and development activities are initiated.

## 2010

- First proof of concept for cross-linkable nylon and polyethylene.
- Several customer partnerships are initiated, for example, with BASF.
- Pre-launch of the NEXIMID® product family.

## 2011

- The NEXIMID® family, with a total of five products, is launched in the polyimide market.
- More customer collaborations are initiated/intensified with companies in the polyimides industry commencing tests with Nexam Chemical's products and with the PO-CROSS 2 consortium concerning for crosslinkable polyethylene and polypropylene.
- Nexam Chemical acquires a production facility in Scotland for scale-up and production of smaller volumes.

## Nexam Chemical at a glance

Nexam Chemical develops technology and products that aim to cost-efficiently, and with production technique intact, significantly enhance the properties of plastics. For example high-performance specialty plastics for the electronics and aerospace industries and more commonly used engineering plastics in the automotive and energy industries. The properties that are improved include thermal and chemical resistance, and durability. Nexam Chemical's technology also enables for the upgrading of recycled plastic, which means that a large amount of plastic can be reused. The ambition with the performance improvements achieved with Nexam Chemical's technology is to make it possible to replace metal and other heavier and more expensive materials with plastic in a wide range of fields and applications. Nexam Chemical's concept was initially launched in the market in 2009 and the Company now collaborates with several large international and well-reputed chemical and materials companies. Nexam Chemical has been listed on First North since 23 April 2013.

*“Nexam Chemical operates in a very exciting market. The use of plastics is steadily increasing, while sustainability issues are becoming increasingly significant. We therefore see major business potential in the plastic recycling industry where Nexam Chemical's technology could have a revolutionary impact on both the amount of recycled plastic, and the quality of new plastic products.”*

See “Message from the CEO,” on pages 6-7.

### 2012

- Extended testing of the NEXIMID® product family by existing and new customers in the polyimides industry.
- Pre-launch of the NEXAMITE® product family in close collaboration with selected business partners.
- Positive test results for various types of nylon, PET and polyethylene.

### 2013

- Nexam Chemical's products are specified in formulations by customers.
- Customers begin initial scaling-up volumes. The plastic processing laboratory becomes operational, which will further accelerate development activities.
- At year-end, the portfolio contained a total of six granted patents, and 38 patent applications in 11 patent families.
- Nexam St Andrews produced and delivered external customer orders placed as well as high-temperature resin to the Clean Sky project.
- Sumitomo in Japan, one of the world's largest chemical and materials companies, commercialised the first application containing Nexam Chemical's crosslinkers.

### 2014

- Exclusivity agreement signed with two important customers. One agreement, however, is terminated during December when it becomes clear that the application is more challenging than expected.
- The PO-CROSS project led to a deepened relationship with IRPC in polyolefins including PE and PP.
- Several new patents for EBPA, MEPA and PETA are granted in Europe, the US and Japan.
- The Board of Directors appoints Anders Spetz as CEO prior to intensified commercialization of the Company's products.
- The Company raises SEK 67,5 million through a new share issue.

# 2014 in brief

## Product launches

- NEXIMID® MHT-R. A new resin for high-temperature applications, primarily for the aerospace industry.
- NEXAMITE® PBO. A multi-functional additive that can be used as a crosslinker and chain extender.

## Partnerships

- The partnership with IRPC, which was also part of the Eurostars PO-CROSS project, took critical steps forward and full-scale testing will soon be commenced by the end-customer.
- The joint rPET project with Armacell and The European Van Company commenced, co-financed by the Eurostars Programme, with the aim of developing a product that can help to upgrade PET and recycled PET. Nexam Chemical was granted funding of SEK 3.4 million.
- A European agent was contracted to market Nexam Chemical's products for converters regarding applications including the upgrading of PET.
- The partnership with Swerea Sicomp and Rolls-Royce in the HICTAC Clean Sky project developed positively.
- Nexam Chemical initially entered an exclusivity agreement with BASF regarding nylon 66. The agreement was terminated late in the year when it became clear that the application is not ready for the market. After terminating the exclusivity agreement, Nexam Chemical is able to collaborate with other business partners in the area of nylon 66.
- Despite a delay in development activities due to Armacell's strategic decision to switch to recycled PET, the exclusivity agreement with Armacell was extended.

## Operations

- Anders Spetz was appointed new CEO of Nexam Chemical as of 1 January 2015.

## Extended patent portfolio

- The following patent applications were granted during the year:
  - New manufacturing process for EBPA (Europe)
  - The unique MEPA molecule (US, Japan, South Africa)
  - The PETA crosslinker for lower curing temperatures (US, Taiwan)
  - The PAEK crosslinking technology for aromatic polyaryletherketones (Europe)
  - Cross-linkable nylon resin containing the Company's MEPA (Japan)

## New share issue

- In mid-March, Nexam Chemical Holding AB (publ) raised SEK 67.5 million before issuing costs through a private placement of 3,000,000 new shares. The proceeds from the new share issue will be used to finance and facilitate a continued high rate of expansion, and the development of the Company and its markets and products.

New and deepened partnerships during the year and an additional project co-financed by the Eurostars Programme.

The patent portfolio was further enhanced with several patents granted.

New share issue of SEK 67 million gives Nexam Chemical long-term financial strength.

Appointment of Anders Spetz as CEO takes Nexam Chemical into the next phase toward commercialisation.

## Significant events after year-end

- The management and key individuals in the Company subscribed for a total of 700,000 warrants.
- Lars Öhrn, with extensive experience in marketing and sales in the plastics industry, was employed as CMO and will assume his position in May 2015.
- Christian Svensson, who has acted as CFO on a consultancy basis since August 2014, was permanently employed.
- Two new patents were granted – in the US, for a new process for the manufacture of EBPA, and in Europe, for the catalysis of crosslinking.

## Key figures

	2014	2013
Net sales (SEK 000)	1,602	2,547
Operating loss (SEK 000)	-35,497	-26,790
Cash and cash equivalents (SEK 000)	62,543	32,511
Equity (SEK 000)	73,804	43,523
Equity per share before dilution (SEK)	1.43	0.89
Equity/asset ratio (%)	87	80
Total assets (SEK 000)	84,973	54,516
Quick ratio (%)	893	600
Average number of shares before dilution	51,138,904	47,015,419
Average number of shares after dilution	51,740,703	47,364,575
Loss per share before dilution (SEK)	-0.69	-0.56
Loss per share after dilution (SEK)	-0.69	-0.56
Share price on the balance-sheet date (SEK)	11.55	10.30

## New management for Nexam Chemical.

The original founders will continue to support the Company's development.

The new management's mission is to develop Nexam Chemical into a professional company, also in the marketing and sales area. With Anders Spetz as new CEO and a new Marketing Director on the way, the Company is now entering its next phase of development with focus on commercialisation and sales.

The organisational changes were planned in mutual understanding with Nexam Chemical's former CEO, Per Palmqvist Morin, and the Company's other three founders, Daniel Röme, Jan-Erik Rosenberg and Richard Tooby. The four founders will be at the CEO's disposal as advisers to the Company. This will ensure continuity, while important know-how is retained within the Company. The four founders will remain majority shareholders.

## Message from the CEO

# Focus on sales!

2014 was a challenging year for Nexam Chemical in many ways. The expected commercial deliveries of the Company's plastics additives did not materialise. Delays and changed conditions in two projects, in particular, led to loss of sales and although there are good reasons for the loss of sales volumes, there are also lessons to be learned. Nexam Chemical cannot only be a research driven company; it also needs to succeed commercially. By working with more projects in the plastics converting industry and with more plastic recycling actors, we are broadening our customer base and shortening the sales cycle.

### **Exclusivity agreement with BASF terminated**

In 2014, Nexam Chemical's exclusivity agreement with plastics manufacturer BASF did not result in the expected sales volumes. The material – nylon 66 – that BASF has worked with to modify with Nexam Chemical's crosslinkers, is used in components for the automotive and electrical/electronics industries. The joint project did not develop at the pace expected in early 2014, and at the end of the year it was clear that BASF would not meet its purchase obligations. As a result, Nexam Chemical and BASF mutually agreed not to extend the exclusivity agreement. This means that Nexam Chemical has the opportunity to begin collaborations with other companies in order to develop the opportunities offered by modified nylon 66.

### **Through the collaboration with Armacell, Nexam Chemical has stepped into the highly promising market for recycled plastic**

Another high profile project that in the short term has not developed at the expected rate is the PET-foam partnership with Armacell, in which commercial volumes failed to materialise. The reason being that Armacell, in consultation with their customers, decided to speed up the transition from virgin PET, which traditionally has been used, to recycled PET (rPet). Overnight, this changed the conditions of Nexam Chemical's products, and the project had to be re-started. The expected introduction of Nexam Chemical's crosslinker in Armacell's PET foam was thus delayed. This is obviously a disappointment in the short term, but Nexam Chemical's partnership with Armacell will now continue with a new and highly promising raw material in the form of recycled green PET. The use of this new raw material means that a new and potentially large market opens up for Nexam Chemical since the use of recycled plastic increases rapidly in most application areas. We believe that the partnership with Armacell will be fruitful for both parties in the long term. Nexam Chemical also sees major advan-

tages in having a close collaboration around recycled plastic. Nexam Chemical and Armacell have, for the time being, therefore agreed to extend the current exclusivity agreement. At the same time, more advanced development is taking place around recycled PET – a project sponsored by the EU within the framework of EUREKA's Eurostars Programme.

### **Other promising partnerships**

Other promising partnerships include PE applications (polyethylene), in which full-scale testing will be conducted by pipe manufacturers during the first six months of 2015. The aim is to develop a manufacturing process using crosslinkers from Nexam Chemical that results in plastic pipes with greater stability. This would enable the manufacture of pipes in larger diameters, while maintaining production speed.

### **Commercial orders**

Although commercial orders did not achieve the expected level in 2014, there are some bright spots worth mentioning. We are now receiving recurring orders for products used in polyimide applications (the NEXIMID® portfolio). Although volumes remain low, we have been working with these applications for a long time, and now several customers have included our products in their formulations. This is proof that Nexam Chemical's chemistry is working and that the Company is able to generate value for its customers.

### **Product launches**

Nexam Chemical is presently also conducting a number of product launches, including NEXAMITE® PBO, which is currently being tested by several prospective customers, and additional NEXAMITE® products, which will be brought to the market in coming years.

### The Company's financial position

At the end of 2014, cash and cash equivalents amounted to more than SEK 60 million. Without offering any forecast for 2015, sales, and therefore revenues, are expected to increase from a low level. Expenses will also be overlooked and are not expected to grow compared to previous year. The Company's financial position is therefore considered stable. The level of available funds is deemed to be sufficient to run the business into 2016.

### The road forward – development of sales and marketing

Nexam Chemical operates in a very exciting market. The use of plastics is steadily increasing, while sustainability issues are becoming increasingly significant. We therefore see major business potential in the plastic recycling industry, where Nexam Chemical's technology could have a decisive impact on both the amount of recycled plastic, and the quality of new plastic products. As new technologies evolve, there is a growing interest in replacing conventional materials with new types of plastics that can offer better performance and/or lower costs.

In many ways, Nexam Chemical is in a unique position to capitalize on the opportunities that this market offers. The Company's expertise and experience in temperature-induced crosslinking technology and its potential are unrivalled globally.

A strategic analysis of Nexam Chemical will be conducted in early 2015. The results of this process will drive our plan for the near future. As a first step, we will strengthen our sales and marketing capabilities to enable a more focused sales effort targeting new and existing customers. We will also broaden our range to include attractive offerings to plastics converters, and address the highly promising market for recycled plastic. This will help us increase the number of projects with comparatively short business development cycles.

Let me conclude by saying that it is with great enthusiasm that I have started my work at Nexam Chemical and that it is stimulating to become a colleague with the competent and motivated people in the company. We are still at the beginning of a journey that will present many challenges, but with all the prerequisites to, given endurance and patience, be rewarding for all parties!

#### Anders Spetz

Chief Executive Officer



**Anders Spetz** assumed the role of CEO for Nexam Chemical on 1 January 2015. Anders Spetz is a chemical engineer, with broad and extensive experience from several senior positions in the international plastics industry.

# Vision Objectives Strategy

Nexam Chemical's vision is to be a recognised world leader in the market for plastics additives in the field of property modification via heat-activated crosslinking. The Company's mission is to contribute to a more resource-efficient and sustainable society by utilising advanced crosslinking chemistry to reduce the limitations of plastics and polymeric materials. Nexam Chemical's business goal is to establish a position as the market leader in the field of heat-activated crosslinkers for the polymer industry. Within five years, Nexam Chemical aims to be a recognised, attractive and profitable provider of unique and value-creating customer solutions.





### Broader customer base

Nexam Chemical aims to deepen its customer understanding and expand its product offering to include more customer segments in the market for plastics additives.

### Marketing and sales

In 2015, Nexam Chemical will commence the build-up of a dedicated sales and marketing organisation.

### Research and development

Nexam Chemical aims to develop technologies and products that meet customer needs. The IPR strategy is to actively seek patent rights.

### Purchasing and production

Nexam Chemical aims to secure core expertise linked to purchasing and scale-up for the commercial production of crosslinkers.

# Nexam Chemical's market is characterised by stable growth and demand for cost-efficient innovations

The Company expects Nexam Chemical's market, the global market for plastics additives – a submarket of the total plastics market – to grow five percent annually until the end of 2020. In addition to stable growth, the market is also characterised by the increasing importance of sustainability and that manufacturers in a variety of industries, for cost and performance reasons, are striving to replace conventional materials – such as metals – with plastics.

## Drivers and trends

The market for plastics additives is primarily driven by the continuously growing use of plastics. Annual volumes of plastics additives, some of which are addressed by Nexam Chemical, amount to several million tons and are expected to grow over the next few years. The industry will also be affected by sustainability issues, such as how the earth's finite resources (such as oil) should be handled. Matters related to health and safety are also on the agenda, for instance with REACH, the EU chemicals regulation. The unique capacity of plastics to help make products lighter and therefore more efficient from a transport perspective is also part of the ongoing sustainability discussion. Another clear trend that generates major opportunities for the manufacturers of plastics additives is the industry's willingness to replace conventional materials with plastics to achieve performance and/or cost benefits. Major parts of the plastics market are thus characterised by growing demand for higher efficiency and lower costs.

For manufacturers of plastics additives, the market situation offers major opportunities. Tomorrow's winners will be those companies that can successfully solve sustainability challenges, and that use innovative solutions to contribute to the creation of plastics with performance that expands their application and/or makes manufacturing processes more cost-efficient.

## Unique technology offers unique benefits

Nexam Chemical's business is based on a proprietary technology, in which crosslinking is used to enhance the performance of a wide range of plastics. In simpler terms, plastic consists of long chains, polymers, made of small carbon-based building blocks (monomers). On these long chains there are areas that can be used to connect with other molecules (such as crosslinkers). Although the crosslinking phenomenon has been well understood for a long time, previous methods have been too costly, cumbersome and, in many cases, not applicable under industry conditions. Nexam Chemical's innovative technology, based on heat-activated crosslinking, offers unique opportunities for large-scale application. Plastics can be divided into two major categories, thermoplastics and thermosets. The definition of a thermoset is that once hardened, it cannot be melted or re-shaped. Thermoplastics are plastics that melt when they are reheated, which means they can be re-shaped multiple times. Both types have very different features and benefits. Thermosets have excellent material properties in terms of mechanical strength, heat and chemical resistance. The main benefits of thermoplastics include superior cost efficiency, processability suitable for mass production and that they are highly recyclable. The plastics industry has long harboured a desire to combine the benefits of both types of plastic, thereby creating a solution that unites ideal material properties with cost efficiency and high processability. This is exactly what Nexam Chemical's innovations achieve.

Nexam Chemical's crosslinking technology offers opportunities for the plastics industry to reduce its environmental impact, enhance the properties of various plastics and improve the cost efficiency of their manufacturing processes.

**Lower environmental impact**

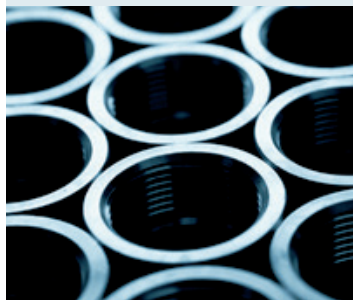


- Most plastics can be recycled, but the composition of the plastic will determine its value as a recycled material. One challenge for recycling is that collected plastic mixtures must be separated before reuse. Another challenge is that thermoplastics gradually degrade over time, and the performance properties deteriorate as the polymer chains are broken down. Nexam Chemical's technology makes recycling more efficient by:
  - Reducing the need for separation – Nexam Chemical's products enable the various components of a collected plastic mixture to work better together, which facilitates recycling.
  - Recreating the degraded polymer chains, through the specific chemistry in Nexam Chemical's additives, which restores the original (new) performance properties of the plastic.

This offers both economic and environmental benefits.

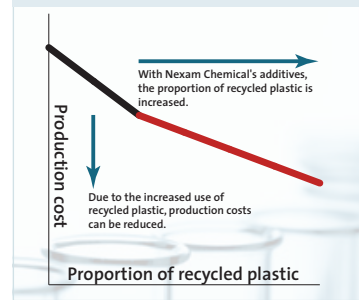
- Increased use of plastics instead of metals, using Nexam Chemical's unique technology and products, offers major potential for both cost savings and environmental benefits in manufacturing.
- Environmental and cost benefits also arise for the end-user, due to a higher proportion of plastic being used rather than more resource-intensive materials, such as metals. One such example can be found in the vehicle and aerospace industries, where reduced overall weight results in major cost and environment-related savings due to lower fuel consumption.

**Better material properties**



- Nexam Chemical's additives make it possible to significantly enhance the properties and performance of many types of plastics, both cost efficient and with production technique intact. The technology enables customers in a wide range of segments to improve the properties of die-cast, compression moulded, injection moulded or extruded plastic components.
- The improved material properties include increased mechanical properties (such as strength and toughness), higher heat resistance, reliable resilience in harsh environments (such as chemical resistance) and thus a longer life.
- These improvements make it possible, in turn, to replace heavier materials such as metal, or more expensive materials such as specialty plastics, with cheaper materials – often in the form of standard plastics. This means that the industry's need for higher performance with the same, or lower, costs can be met.

**Reduced manufacturing costs**



- Nexam Chemical's additives can increase the proportion of recycled plastic in the end product, without compromising product features. Recycled plastic is cheaper than newly produced plastic, which reduces the cost of raw material for Nexam Chemical's customers.
- Production efficiency (processability) can be increased by utilising the effect of Nexam Chemical's additives in the final processing stages. This results in a faster production rate, increased production capacity and reduced energy consumption.
- Plastic-based solutions are cheaper to manufacture, since energy consumption is lower and the processing time is shorter.

## Continued investment in research and development

### Strategic expansion of the customer base

#### Nexam Chemical's customers

Nexam Chemical's customers include major international plastics manufacturers as well as plastics converters and recyclers. The major plastics manufacturers work with, e.g. high-performance polyimides to produce new and advanced solutions for resource-efficient engines in vehicles, fuel-efficient aircraft and new applications for the development-intensive electronics industry. The more advanced these design solutions are, the greater the demands on the material. Meanwhile, the development processes are long, which means that the final outcome is difficult to predict. The second customer category – plastics converters/recyclers – is considerably more adaptable. New technologies and solutions can be implemented within a few months rather than years, which means that any return on invested development activities is generated faster.

#### Well-positioned technology

Nexam Chemical is well-positioned in many ways to benefit from the major trends in the market. The Company's products and unique expertise in crosslinkers make it possible to significantly enhance the properties and performance of most types of plastics cost-efficiently, and with production technique intact.

Nexam Chemical can contribute not only to recycled plastic being re-used, for example, but also to ensuring that it obtains new and better properties than the original plastic. The Company's unique technology also makes it possible to streamline manufacturing processes and lower production costs. In addition, the crosslinking technology also enables the manufacture of high-performance plastics suitable for extreme temperature and radiation environments. Other performance enhancements include the possibility to replace heavier materials such as for example metal, or more expensive materials such as specialty plastics, with cheaper materials in the form of standard plastics.

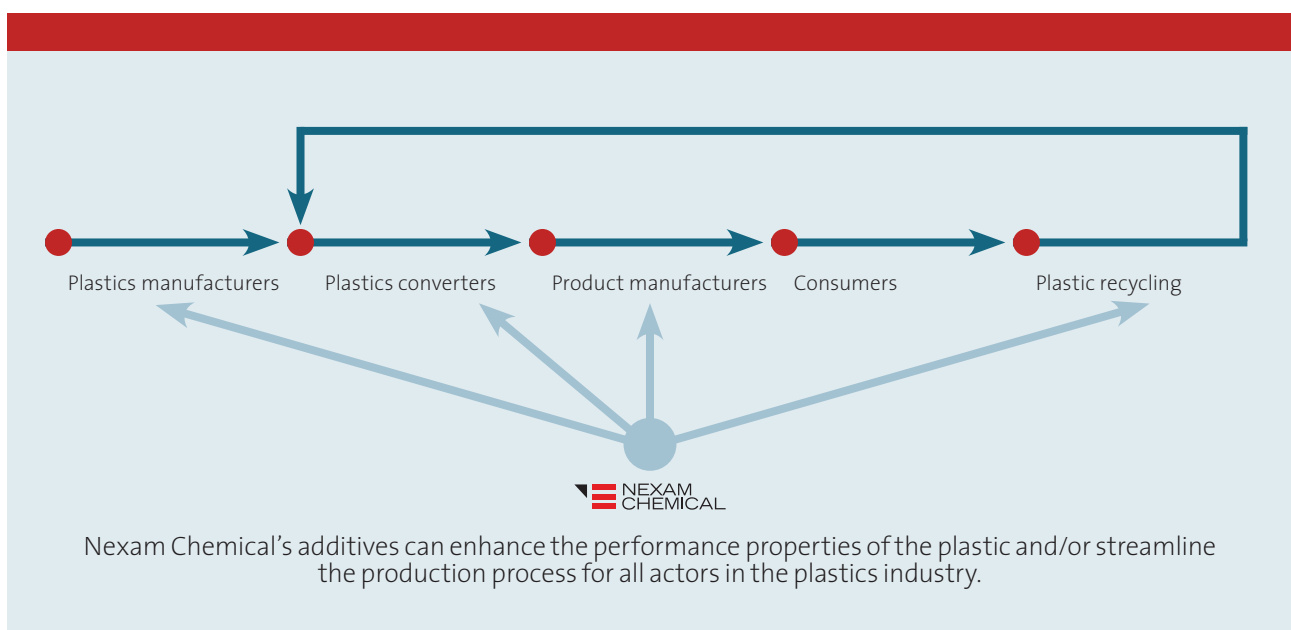
#### Limited competition

The Company believes that there are no other actors at present with the same overall knowledge of the technology comprising the core of Nexam Chemical's offering.

#### Strategic expansion of the customer base

Nexam Chemical has its historical roots in the development of high-performance plastics used in demanding environments in space vehicles and aircraft engines. As a result, the Company's sales focus has rested on major international plastics manufactur-

## Nexam Chemical's value chain



ers with both the capacity and a need to develop new high-performance materials. The development of high-performance materials is complex and the process often spans over many years. In 2015, Nexam Chemical aims to broaden its marketing efforts so that sales work also extends to plastics converters and recyclers. Plastics manufacturers will remain a key customer category for the Company, but by adding these new customer categories, Nexam Chemical aims to reach a segment that is more flexible by nature. Decision making processes are less complex for these customer categories and development cycles amount to months rather than years. Targeting plastics converters also increases the potential number of end products that may significantly benefit from Nexam Chemical's technology.

#### Commercial focus

In 2015, Nexam Chemical's most important mission will be to strengthen the Company's commercial capacity and capabilities. The objective is to identify the most promising customers from a commercial perspective and to ensure that the Company understands their needs. Based on this knowledge, Nexam Chemical plans to present an attractive proposition of how the Company

works together with its customers to generate value for its customers' end-customers in a unique way.

To succeed with these ambitions, Nexam Chemical plans to strengthen its marketing and sales capacity and develop marketing communication to make it relevant to all customer categories. By working close with the customers, Nexam Chemical aims to understand both their needs and their end-customers' needs. By packaging the Company's products attractively and, if necessary, adjusting potential volume products, Nexam Chemical will ensure full compliance with customer requirements.

To retain focus of the goal, Nexam Chemical plans to focus on the following three areas:

- Sustainability
- Cost efficiency
- High-performance plastics

## Strategic performance

	2009	2010	2011	2012	2013	2014	2015 and onwards
Research and development	Nexam Chemical aims to create value for various stakeholders by continuously enhancing its unique technology and products.						Research and development will continue with undiminished strength, but focus on market segments with shorter cycles.
Customer base			Nexam Chemical primarily targets leading plastics manufacturers in the global market.			The customer base will be expanded to also include plastics converters and plastics recyclers.	
Marketing and sales			There is no dedicated marketing and sales function. Sales are mainly conducted within the research and development organisation.			A dedicated marketing and sales organization is under construction with the aim of rapidly expanding the Company's sales.	
Purchasing and production	Nexam Chemical does not conduct its own production, but collaborates with selected manufacturers.		Establishment of in-house production.		In 2013, Nexam Chemical establishes its own plastics laboratory. Nexam Chemical thus obtains a flexible, in-house organisation with the ability to handle both small and large production volumes in a cost-effective manner.		

## Nexam Chemical Strategic priorities in 2015

### Focus on the recycled plastics industry

#### Restore and upgrade recycled plastic

One reason why the recycled plastics market is so promising for Nexam Chemical is the fact that the Company's technology is able to "mend" recycled plastic, which means that a high proportion of plastic collected can actually be used to produce new plastic products. Nexam Chemical's products can also be used to "upgrade" the recycled plastic, meaning that it obtains new and enhanced properties, which allows the recycled plastic to be used in more advanced, or more demanding, types of applications.

To be successful in this market segment, Nexam Chemical must understand customer needs, know how material flows work and foresee the demands that customers will make on products from Nexam Chemical in terms of both performance and cost efficiency.

In 2015, Nexam Chemical therefore plans to develop a product range that targets the plastic recycling industry.

### Effective offering to plastics converters

#### Improved cost efficiency

Major parts of the plastics industry are subject to intense cost pressure. Nexam Chemical offer various types of plastics additives that make manufacturing processes more cost-efficient – by making the actual manufacturing process shorter, for example – opens major market opportunities.

Similar to recycled plastic, this will require a strictly customer-focused business model. At present, Nexam Chemical has products to offer to this market segment, but plans to work more with targeted offerings in which the cost benefits are communicated clearly and effectively.

In addition to more effective marketing communication with distinct product offerings, the Company also plans to develop new products specifically designed to reduce customer costs.

## Deepened relationships with existing customers

### Continued focus on high-performance plastics

Nexam Chemical has completely unique expertise in, and strong patents for, crosslinkers in high-performance plastics and has collaborated with Rolls Royce in the manufacture of airplane engines and with NASA in its space programme.

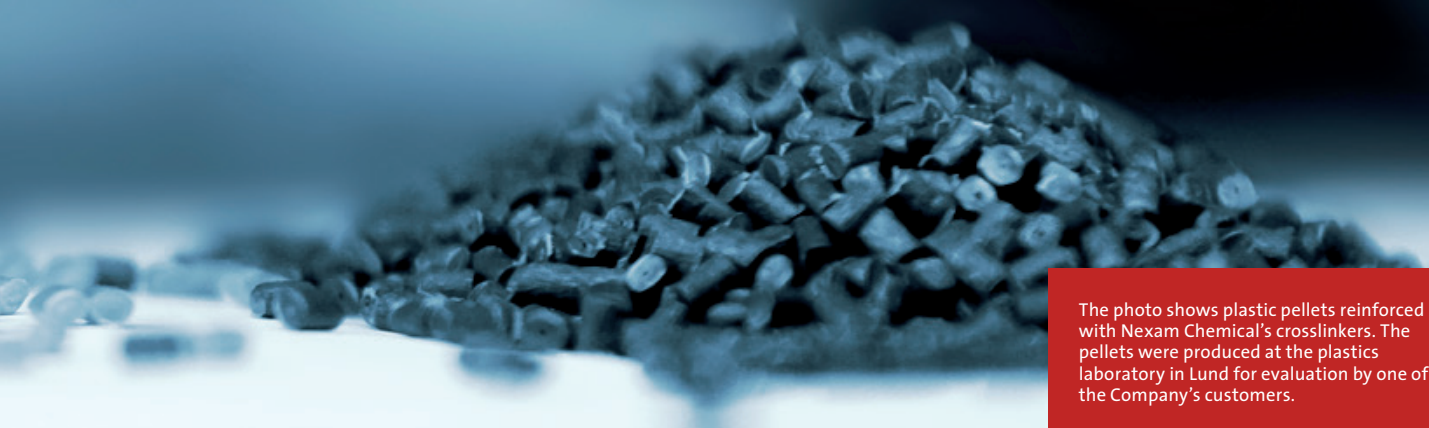
In order to further develop long-term profitability for this market, Nexam Chemical plans to deepen its understanding of how customers create value, thereby increasing the Company's ability to contribute to the improvement of customer products and processes.

In 2015, Nexam Chemical plans to continue working with the Company's offerings to this customer category – enhanced product performance and/or stable production processes – to define attractive product offerings and develop effective marketing communication.

# Operations 2014

In 2014, Nexam Chemical's sales amounted to SEK 1,602,000 (2,547,000). The intensive pace of the Company's research and development activities continued during the year, including the generation of 28 new patents. In 2014, several partnerships were carried on with customers in many parts of the world. Nexam Chemical aims to maintain direct contact with its customers, but the Company's in-house organisation is complemented with agents and distributors in selected markets. Nexam Chemical owns a facility in St Andrews in Scotland for the production of pilot volumes, and plans to collaborate with contract manufacturers for large commercial volumes.





The photo shows plastic pellets reinforced with Nexam Chemical's crosslinkers. The pellets were produced at the plastics laboratory in Lund for evaluation by one of the Company's customers.

## Research and development 2014

# New patents further strengthen the Company's potential and unique position

Nexam Chemical's unique technology makes it possible to significantly enhance the properties and performance of many types of plastics cost-efficiently, and with production technique intact. The high pace of Nexam Chemical's research and development continued throughout 2014, and the results included new patents in Europe, the US and South Africa.

### Unique expertise and development in custom-designed laboratories

Nexam Chemical possesses unique expertise in its crosslinking technology. The R&D department comprises 16 individuals, 11 of whom hold a doctorate degree. All development is initiated at the drawing board, where the design of new molecules is based on previous experience or new ideas. This is followed by the initial practical experiments to develop the new products in the laboratory. Further development of the product and optimisation of the manufacturing process does not take place unless the product can demonstrate the desired effect. New products are mainly developed at Nexam Chemical's chemical laboratory, while new processing techniques and plastics are developed at the Company's plastics processing laboratory. The plastics laboratory is totally unique and offers an ideal setting to conduct applied research and development for Nexam Chemical and its business partners.

### Development in close collaboration with customers

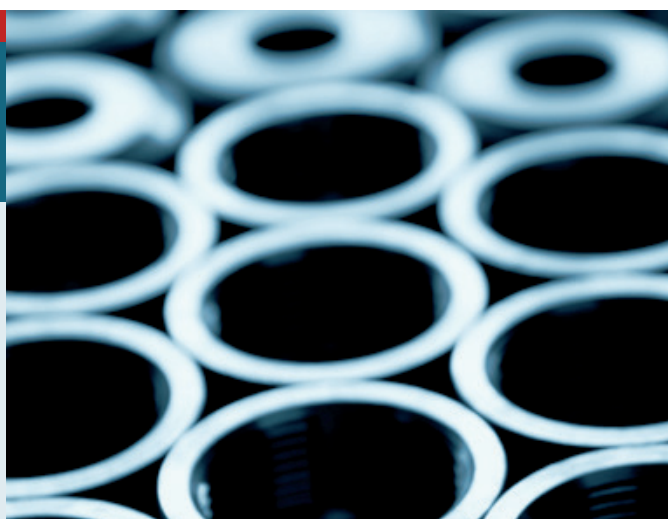
In addition to the Company's proprietary development, which aims to deliver new products and processes, Nexam Chemical's developers also work closely with the Company's customers to create customised solutions for product features or manufacturing processes. Since the introduction of Nexam Chemical's concept in 2009, a number of development projects and partnerships have been initiated with several leading actors, many of which are world leaders in their respective niches. These include ABB, NASA and Rolls-Royce. Nexam Chemical currently works with some of the leading chemical and materials companies in the world.

In 2014, a number of promising customer partnerships were established. In early 2014, Nexam Chemical signed a three-year supply agreement with Armacell, the world's largest manufacturer of PET foam. The agreement grants Armacell exclusive use of Nexam Chemical's crosslinkers for PET foam. At year-end, the agreement was extended by one year due to Armacell's strategic decision to switch to recycled PET as the raw material for its production, instead of new PET. This decision requires some adaptations to Nexam Chemical's product to ensure that the end product meets the specified criteria. Under the agreement, Armacell has undertaken to purchase 10 tonnes of Nexam Chemical's product during 2015. Subsequent volumes will gradually increase to at least 150 tonnes in 2017.

### CASE

## Collaboration to manufacture plastic pipes

In partnership with a major plastics manufacturer, Nexam Chemical has conducted extensive testing of the Company's crosslinkers in polyethylene, intended for use in the manufacture of plastic pipes. In 2015, Nexam Chemical's customer plans to perform qualification testing of its product with end-customers. The aim is to manufacture pipes in larger diameters, while maintaining production rate.





Nexam Chemical's chemical laboratory is an integral part of the Company's R&D department.

Another fruitful partnership is Nexam Chemical's relationship with the petrochemical company IRPC, based in Thailand. Both companies have previously collaborated in a project co-financed under the Eurostars programme. This partnership has now been deepened by collaboration in the field of polyolefins, including PE and PP. Polyolefins can be used in a wide range of applications and market segments, from plastic bags to components for the automotive industry. In one area, IRPC is now planning to perform qualification testing at the site of one of its customers.

#### Development project financing

The costs related to completed and ongoing R&D projects are carried by Nexam Chemical and those customers that participate. The Company also receives funding from agencies including VINOVA and the Eurostars Programme. In 2014, Nexam Chemical received SEK 3.4 million in funding from the Eurostars Programme for a 24-month project aimed at improving the properties of recycled PET, in collaboration with Armacell and The European Van Company.

#### Patents and rights

In 2014, Nexam Chemical was granted a patent for the MEPA crosslinker in both Europe and South America. This patent is

important, since MEPA is central for crosslinking of nylons. In Europe, the Company was also granted a patent for a new, cheaper production process for EBPA, mainly used for high-temperature applications. A patent was also granted in Europe for Nexam Chemical's crosslinking technology for aromatic polyaryletherketones (PAEK). This technology allows for increased processability while simultaneously improving heat and chemical resistance. In the US, the Company was granted a patent for the PETA crosslinker. Nexam Chemical has thus strengthened its position as the leading company in its niche.

At the end of 2014, Nexam Chemical held 41 patents, while 40 patent applications were pending, in a total of 11 patent families. Pending patent applications are in varying national and international evaluation phases. Several patent applications are expected to be granted in 2015 and 2016.

Nexam Chemical's patent portfolio 31 Dec 2014	31 Dec 2014
Granted patent applications	41
Pending patent applications	40
Patent families	11

## Market 2014

# Deepened partnerships with customers build a platform for sales

### Marketing and sales

Nexam Chemical markets its technology and products in the global market for plastics additives. Customers comprise of plastics manufacturers, plastics converters and the plastic recycling industry. Since sales requires good knowledge of both crosslinking technologies and application techniques, Nexam Chemical aims to maintain direct contact with its customers. To prevent the Company's limited sales capacity from hampering development, the Company also works with agents and distributors in selected markets such as Japan, South Korea, Taiwan and China. In the strategic US market, marketing is usually conducted in-house, but a business partner is engaged as an agent for selected applications.

### Expansion

In 2015, Nexam Chemical intends to strengthen its in-house marketing and sales capacity to reach existing customers among major international plastics manufacturers more effectively, while simultaneously expanding sales efforts to also include the highly promising customer categories of plastics converters and plastics recyclers.

### Four promising plastics

Nexam Chemical's additives mainly target four types of plastics: nylons, polyolefins (PE/PP), polyesters (PET/PBT) and polyimides.

Nylon applications range from products in the sports and leisure market with a short product life, to products for the electricity and aviation market with very long life cycle. Nexam Chemical's offering to the nylon market consists of additives that enable metal to be replaced with plastic in some applications, providing

obvious advantages in terms of weight. The Company's additives can also enhance the durability and performance of a plastic product and/or reduce production costs.

The polyolefin market includes film for packaging and plastic carrier bags, coatings, cable insulation, pipes, construction components, plastic bottles, food containers, toys and sporting goods. Nexam Chemical's additives can improve the performance of polyolefins in terms of mechanical properties, durability and resilience at high temperatures.

Polyesters (such as PET) are mainly used to produce bottles, but also as engineering plastics. Nexam Chemical's offering is primarily focused on improving the processing properties of polymers, but also includes enhancement of plastics' mechanical properties. One example is PET foam, where Nexam Chemical's additives substantially improve the mechanical properties of the finished material compared with other PET foam formulations.

Polyimides are a group of heat-resistant plastics, making them well-suited for demanding applications in such fields as the aviation industry, aerospace industry, microelectronics and consumer electronics. Nexam Chemical has a range of products with various curing temperatures to offer this market segment.

### Products and trademarks

Nexam Chemical's products are marketed and sold under two trademarks: NEXIMID® crosslinkers for polyimides, and NEXAMITE® crosslinkers for high-volume thermoplastics.

#### Ongoing partnerships and customer projects 2014

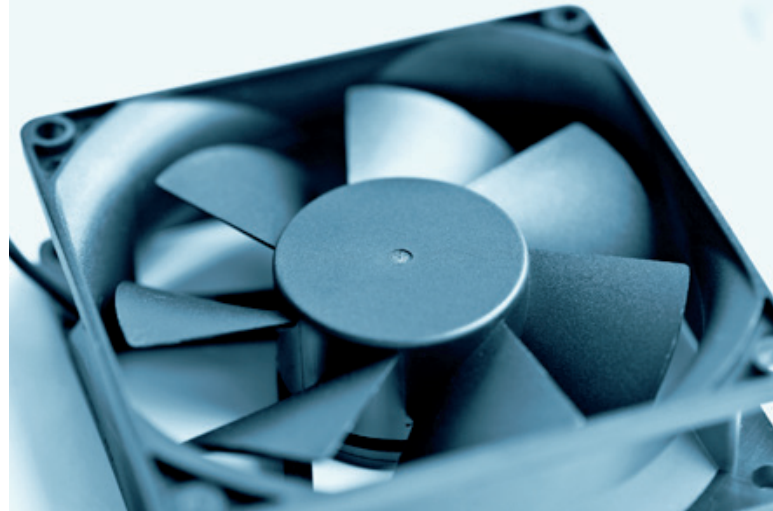
Since the introduction of Nexam Chemical's concept in 2009, a number of development projects and partnerships have been initiated with several leading actors, many of which are world leaders in their respective niches. These include BASF, Repsol, IRPC, Sumitomo, ABB, NASA and Rolls-Royce. Overall, Nexam Chemical currently works with several of the leading chemical and materials companies in the world.

In 2014, Nexam Chemical also deepened its partnership with IRPC in Thailand, with the aim of jointly developing modified polyolefins. In 2015, IRPC will perform joint qualification testing with its customers. The agreement covers both product development and commercialisation of the finished products.

In autumn, the Japanese company JVP announced its intention to commence commercialisation of a varnish containing one of Nexam Chemical's crosslinkers for the coating of components for solar cells. Production is scheduled to commence in the second quarter of 2015.

#### CASE

## Breakthrough for high-temperature composites



In 2014, Nexam Chemical's technology for high-temperature composites had a breakthrough in a limited market. Deliveries of NEXIMID® 100 were continuous, although in smaller volumes. This confirms that the product has been well-received by the Company's customers. Sales of NEXIMID® 100 rose 200 percent compared with 2013.

## Purchasing and production 2014

# Efficient structure with high flexibility to scale up to commercial volumes

Nexam Chemical has built up a flexible organisation for purchasing and manufacturing with the ability to handle both small and large production volumes in a cost-effective manner. Limited quantities, such as the manufacture of pilot volumes, take place at the Company's own manufacturing facility in Scotland, while large-scale, commercial volumes will be produced by reliable contract manufacturers. Nexam Chemical thus acquires manufacturing capacities that can quickly and efficiently adapt to fluctuations in demand. The production of very small volumes for development purposes takes place at Nexam Chemical's chemical laboratory.

### Efficient purchasing

Efficient and secure purchasing of the raw materials required for the production of crosslinkers is a key issue for Nexam Chemical. The Company has built up a procurement model with competitive bidding from selected and trusted suppliers on a global basis. Nexam Chemical's purchasing strategy is to always have at least

two suppliers of each raw material. The production of crosslinkers currently takes place at the production facility in St Andrews in Scotland. The mission of the production unit, Nexam St Andrews, is to manufacture products on a medium scale on behalf of Nexam Chemical's customers.

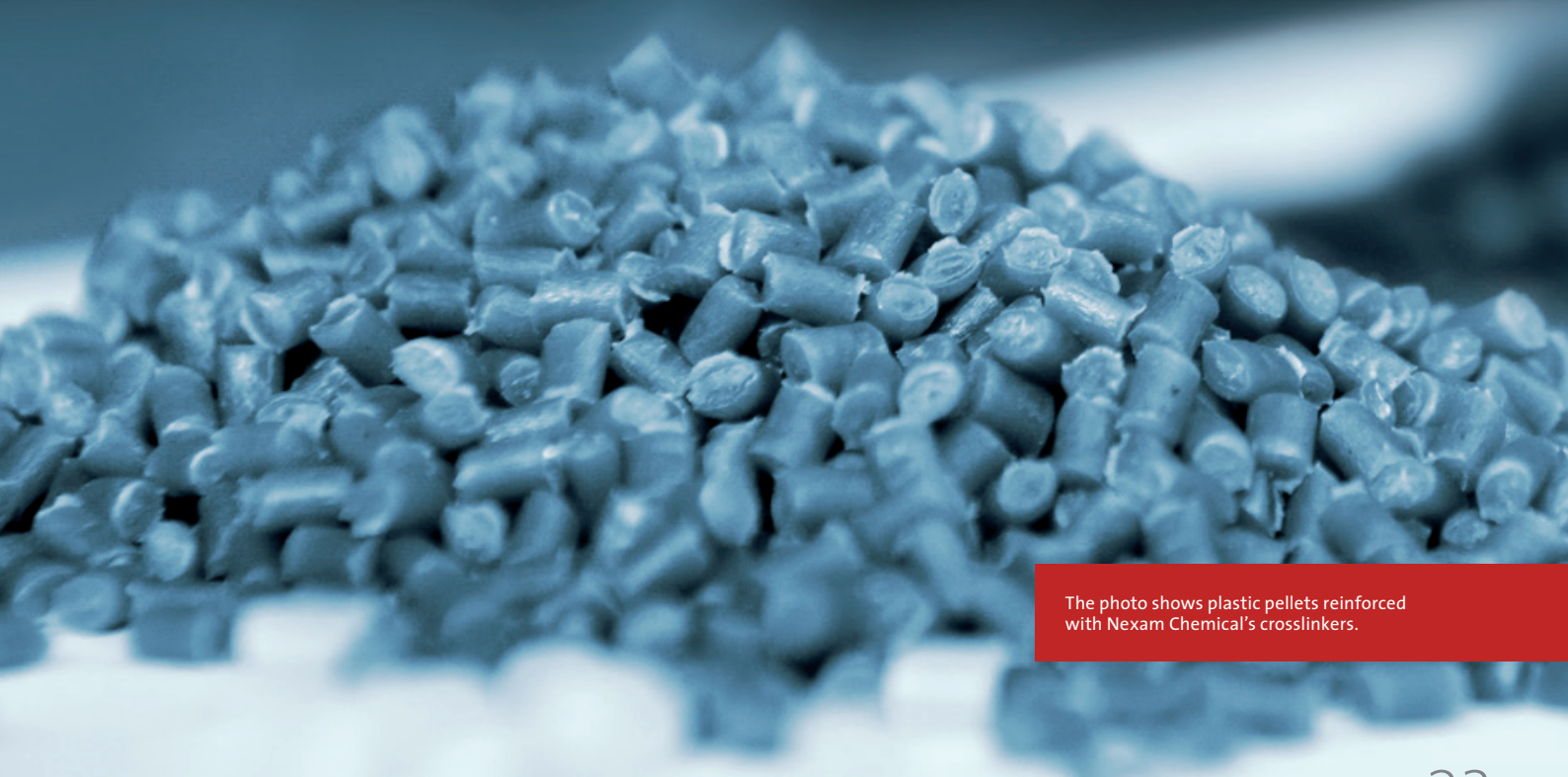
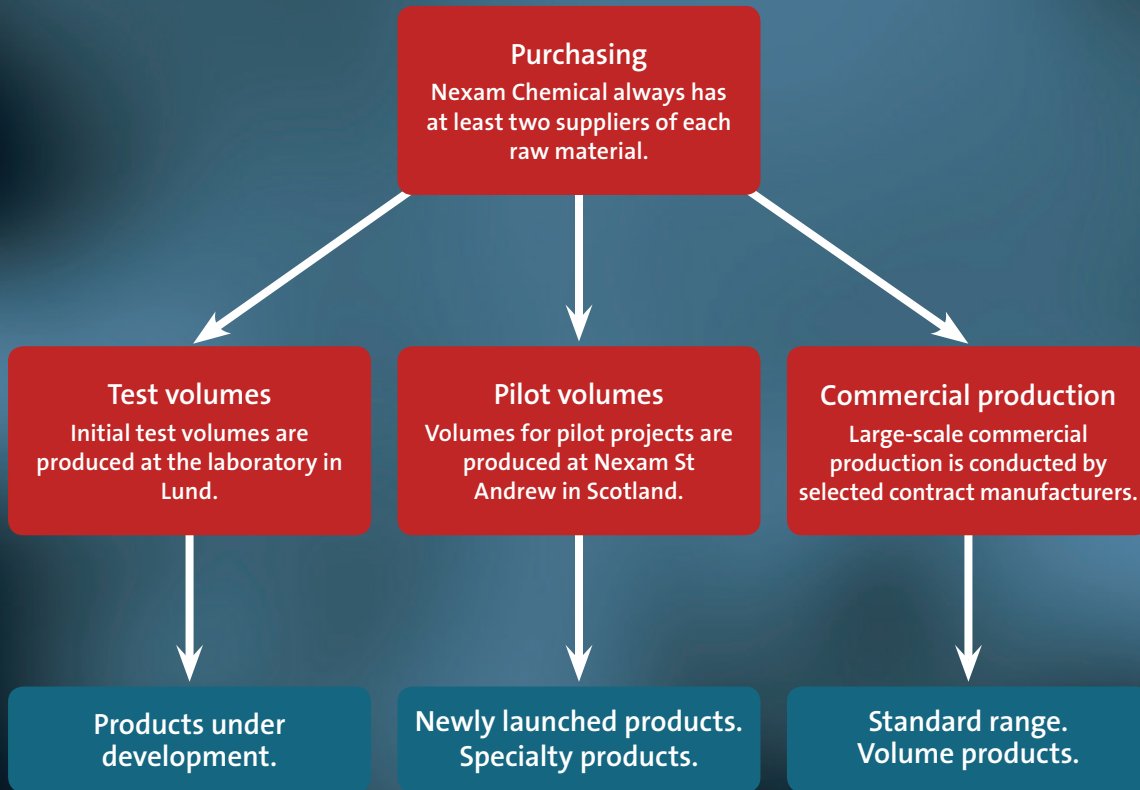
### Quality and environmentally certified facility

In 2013, the Nexam St Andrews production unit received ISO 9001 quality management certification, ISO 14001 environmental management certification and OHSAS 18001 occupational health and safety management certification. This is proof of the high standards maintained by the unit with respect to working methods to achieve high standards and continuous improvement. The certifications boost the facility's competitiveness in terms of both the manufacture of Nexam Chemical's products and contract manufacturing services to external clients.

### CASE

## Process-optimised manufacturing of EBPA

For some time, Nexam Chemical has been process-optimising the manufacturing of EBPA, a crosslinker and chain extender for high-temperature applications. While the product is not new, production costs have been too high. Nexam Chemical's new process enables a significant reduction in raw material consumption and production time, making the product commercially viable. In 2014, Nexam Chemical was granted a patent in Europe and the US for this unique process.



The photo shows plastic pellets reinforced with Nexam Chemical's crosslinkers.

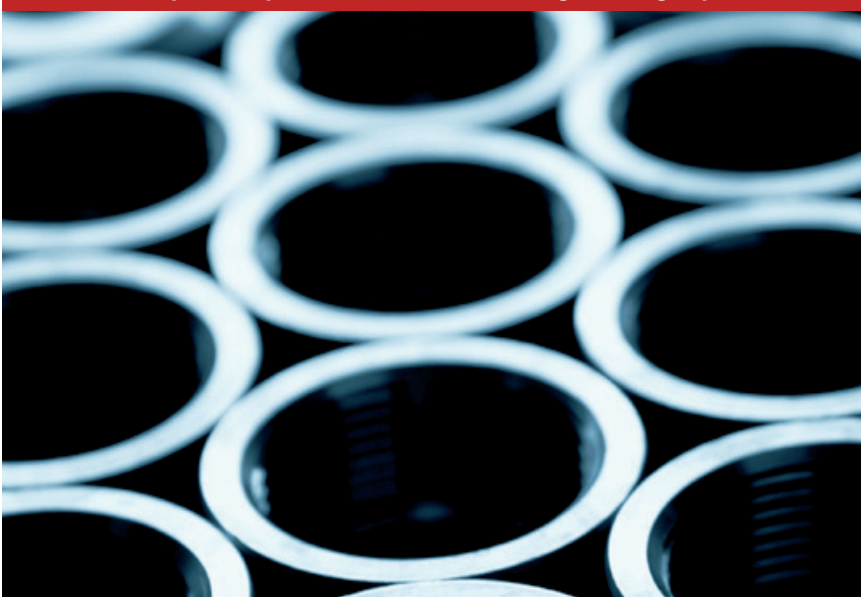
# Four examples of the many opportunities offered by Nexam Chemical's additives

## More efficient plastic recycling



Nexam Chemical's crosslinking technology can upgrade and "mend" recycled plastic, enabling larger volumes of the recycled plastic to be used in new products. PET bottles are a highly interesting group of recycled plastics, not least because of careful waste separation, making the recycled plastic homogenous and easier to process into, for example, fleece garments.

## Possible to replace expensive materials with high-strength plastics



In many cases, Nexam Chemical's technology makes it possible to replace expensive materials with more cost-efficient plastic solutions.





Scan the QR code with your mobile/tablet, or go to [www.nexamchemical.com/Products/](http://www.nexamchemical.com/Products/) read more about Nexam Chemical's products and their capabilities.

### Self-reinforcing plastic components



Nexam Chemical's crosslinkers can be activated, albeit at a slow rate, in a running car engine as a result of the high temperature. Over hundreds and thousands of hours of use, the material is cured/crosslinked. The performance and durability of the plastic components are thus gradually improved.

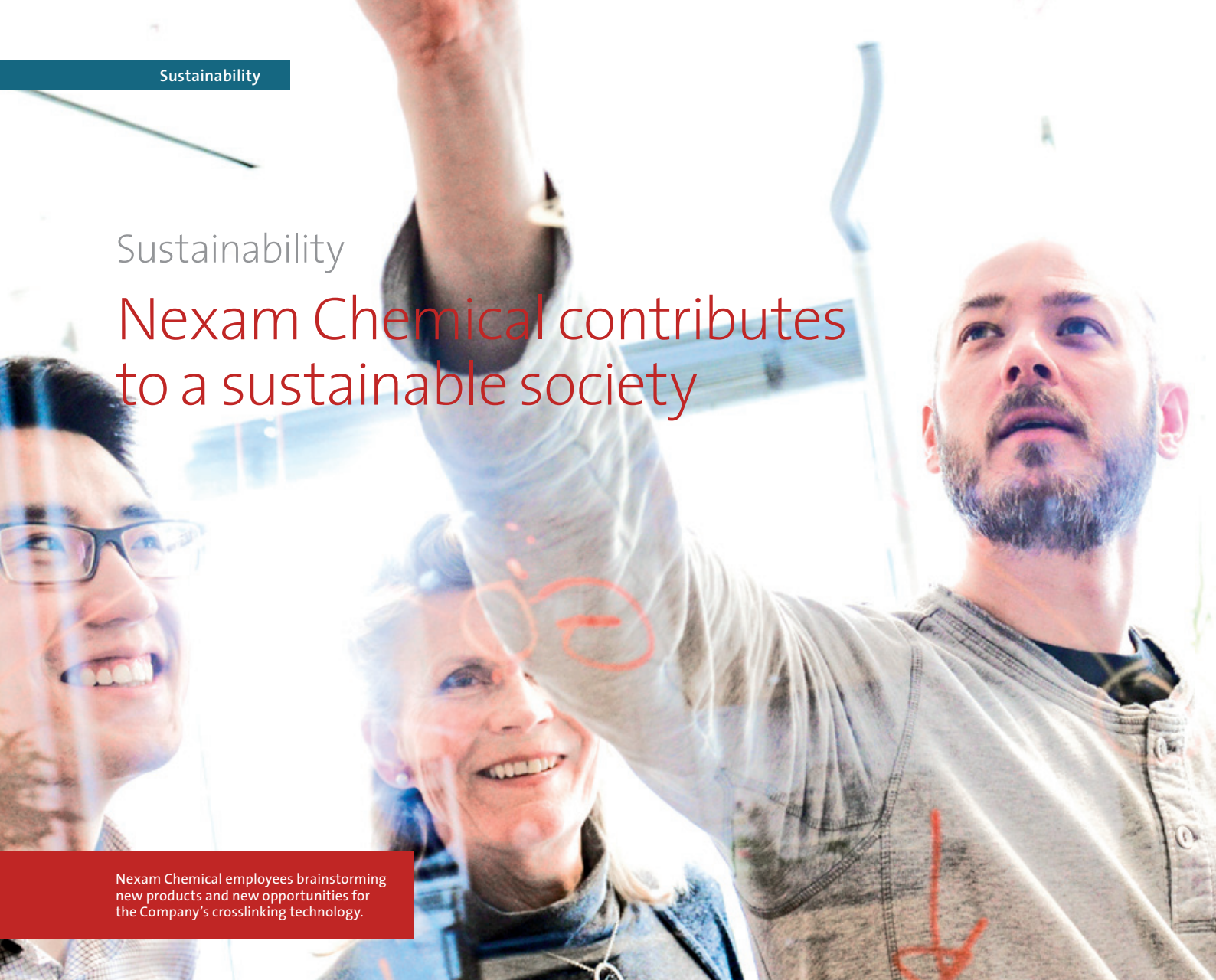
### Products for harsh environments



Owing to the crosslinking technology, plastics can also withstand extreme stress in the harshest environments. Plastics that are upgraded using Nexam Chemical's technology are therefore found in aircraft, and are now being developed for wind turbines.

## Sustainability

## Nexam Chemical contributes to a sustainable society



Nexam Chemical employees brainstorming new products and new opportunities for the Company's crosslinking technology.

Nexam Chemical's unique technology and product portfolio helps to reduce environmental impact in all stages of the value chain, from purchasing and production to the end-customer and recycling. Producers can increasingly use plastics instead of metals, owing to Nexam Chemical's unique technology and products, which offers major potential for both cost savings and environmental benefits. Plastic-based solutions are generally cheaper, partly due to cheaper production tools and lower energy consumption. Plastics can also replace metals in some cases – in the automotive industry, for example – which reduces the overall weight, and fuel consumption as a result. Nexam Chemical's unique technology also brings major benefits for the plastics recycling industry. Recycled plastics can be "mended" and upgraded with new and improved properties using the Company's products. Read more about the environmental benefits of Nexam Chemical's products on page 11.

#### Reduced environmental impact in Nexam Chemical's operations

Nexam Chemical strives to reduce the environmental impact of its operations in both day-to-day work and strategic decisions. These

efforts are supported by effective control and monitoring systems. In 2013, the Nexam St Andrews production unit received ISO 9001 quality management certification, ISO 4001 environmental management certification and OHSAS 18001 occupational health and safety management certification. This is proof of the high standards maintained by the unit with respect to working methods to achieve high standards and continuous improvement. The certifications strengthen the facility's competitiveness in terms of both the production of Nexam Chemical's products and contract manufacturing services to external clients.

#### High demands from customers and other stakeholders

Nexam Chemical's customers, which include some of the leading chemical companies in the world, place high demands on the Company's actions in relation to quality, the environment and safety. In many cases, these demands are more stringent than those associated with more general standards, such as ISO. The same applies to such agencies as VINNOVA and the EU, which grant funding for Nexam Chemical's research and development projects.



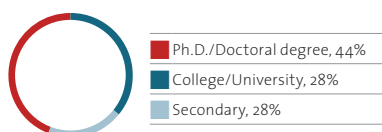
The fact that Nexam Chemical has signed co-operation agreements with major companies and received funding from such agencies as VINNOVA and the EU is further indication that Nexam Chemical's operations are conducted with high quality and good control.

**Employees**

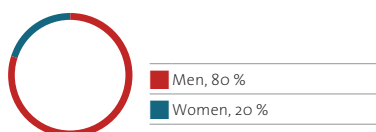
One of Nexam Chemical's key success factors is the Company's employees. In 2014, the average number of employees in the

Group was 23 (22), of whom 5 (5) were women. At year-end, the number of employees was 25 (23), of whom 5 (6) were women and a total of 16 (13) were employed in the Company's R&D department. The level of education is high. Eleven employees hold doctoral degrees in fields that are relevant to the Company's development, seven have university/college education and seven have secondary education. In 2015, Nexam Chemical will primarily strengthen the Company's capacity and expertise in marketing and sales..

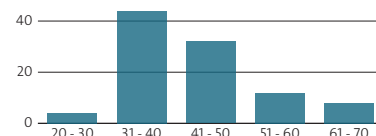
**Employee level of education, %**



**Gender distribution, %**



**Age structure, %**



# Nexam Chemical's share

## High expectations and large shifts in share price resulted in an increase of twelve per cent

Nexam Chemical's share has been listed on Nasdaq OMX First North since 23 April 2013. The share rose 12 percent in 2014. The highest share price for the year, SEK 35.80, was recorded on 19 February. The lowest price, SEK 8.00, was recorded on 18 December. The closing price, at the end of December 2014, was SEK 11.54.

At year-end, Nexam Chemical's total market-cap, based on the number of shares outstanding, was SEK 598 million. During the year, a total of 90 million Nexam Chemical shares were traded, at a value of just under SEK 2 billion. On average, just over 365,000 shares were traded per day, representing about 0.7 percent of outstanding shares. The high market liquidity, due to substantial daily trading volumes, motivated the Company's decision to terminate its agreement with Remium regarding a liquidity guarantee for the share. As of 21 March 2014, Nexam Chemical's share was therefore traded without a liquidity guarantee.

### Share capital

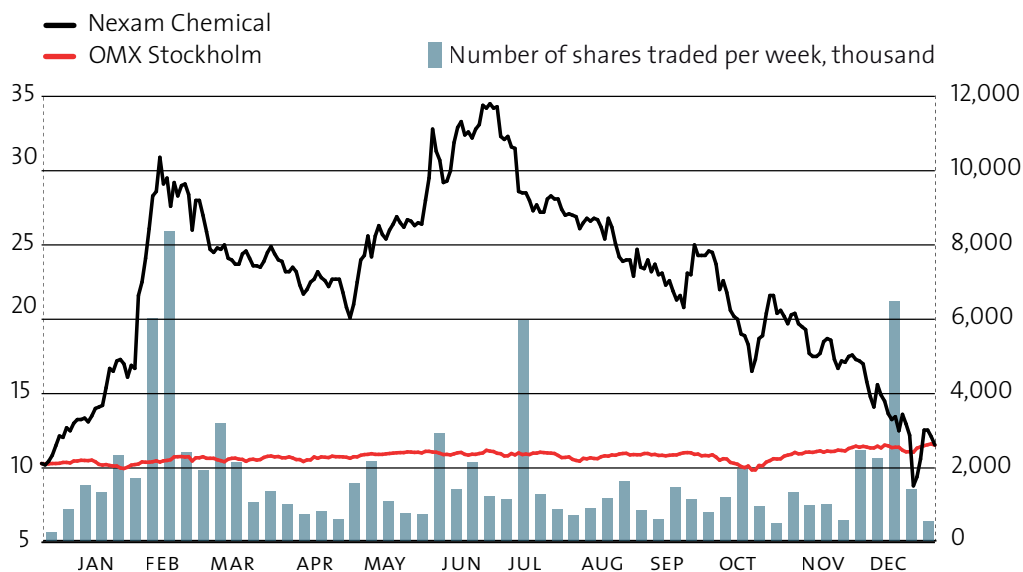
At the end of 2014, Nexam Chemical's share capital amounted to SEK 995,769, distributed between 51,780,000 outstanding shares. The Company has only one class of share and all shares have equal rights to dividends and liquidating distributions and entitle the holder to one vote per share.

### New share issue

Nexam Chemical's Board of Directors has been authorised, on one or more occasions until the next Annual General Meeting in May 2015, with or without deviation from the shareholders' preferential rights, to make decisions on the issue of new shares. The maximum number of shares that may be issued is 5,753,333, corresponding to a dilution of not more than 10 percent.

On 14 March 2014, the Company raised SEK 67.5 million, before issuing costs, through a private placement of three million shares. The shares were offered to international institutional investors and qualified investors in Sweden at a price of SEK 22.50 per share. The subscription price was set by a customary bookbuilding process. The new share issue entailed a dilution of 5.8 percent, based on the number of shares after the issue.

### Share performance during the period



### Decision on listing change

During the year, the Company prepared for an application to be listed on Nasdaq Stockholm Small Cap. In February 2015, the Board decided to defer the application to list on Nasdaq Stockholm Small Cap indefinitely, so that Nexam Chemical could focus on, and devote all of its energy to, commercialising the Company's products. The preparations done for a listing on Nasdaq Stockholm Small Cap will continue to benefit the Company and simplify the process in a future change of trading venue.

### Shareholders

At the end of 2014, the Company had 8,936 shareholders. During the year, several institutional investors became owners of the Company.

### Incentive programmes

#### *Incentive Programmes for Nexam Chemical AB*

The Company's subsidiary, Nexam Chemical AB, has issued a total of 7,280 warrants to its employees distributed between three share option programmes with redemption in 2016, 2017 and 2018. Each warrant entitles the holder to subscribe for one share in the subsidiary Nexam Chemical AB at an exercise price of SEK 1,000 for redemption in 2016 (2,040 warrants), an exercise price of SEK 1,000 for redemption in 2017 (2,300 warrants) and an exercise price of SEK 2,000 for redemption in 2018 (2,940 warrants). Nexam Chemical Holding AB has entered into an agreement with the warrant holders concerning a right to acquire any subscribed shares in the subsidiary against payment in the form of 182,5034 new shares in Nexam Chemical Holding AB for each new share in the subsidiary. If all warrants are exercised for the subscription of shares in

the subsidiary, Nexam Chemical Holding AB will issue a total of 1,328,625 shares as payment. The new shares would represent about 2.50 percent of the share capital, based on the current number of outstanding shares.

#### *The 2014/2017 Incentive Programmes*

In September 2014, in accordance with an AGM decision on 14 May 2014, Nexam Chemical issued 1,083,849 warrants to its subsidiary Nexam Chemical AB without consideration. The subsidiary is entitled to transfer the warrants to senior executives and key individuals in the Nexam Chemical Group at an amount corresponding to their market value. Each warrant entitles the holder to subscribe for one new share in Nexam Chemical Holding AB in 2017, at an exercise price that in September 2014 was estimated at SEK 35.20 per share. Full exercise of all 1,083,849 warrants will represent about 2.0 percent of the share capital, based on the current number of outstanding shares. In January 2015, senior executives and key individuals had subscribed for a total of 700,000 warrants, at a market value of SEK 0.20 per warrant according to the Black-Scholes model for calculation.

Otherwise, there are no warrants outstanding, convertible bonds or similar financial instruments that may entitle subscription for new shares, or affect the share capital in another way.

### Dividends

The Board of Directors proposes that no dividends be paid for the 2014 financial year. It is not expected that any dividends will be distributed over the next few years. Instead, available funds will be used for continued expansion.

### Investor Relations contact

For any questions, please contact Anders Spetz, CEO, phone: +46(0)703-47 97 00, e-mail: anders.spetz@nexamchemical.com.

### Equity investor meetings

Nexam Chemical participates in a number of equity investor meetings every year throughout the country, which creates an opportunity to provide more details about Nexam Chemical's operations.

Largest shareholders at 31 December 2014*	# of shares	Share, %
UBS AG on behalf of client	4,357,377	8.4 %
Insurance company, 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, private, 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 %
Others	30,062,324	58.1 %
<b>Total</b>	<b>51,780,000</b>	<b>100.0%</b>

\* Source: Register of shareholders maintained by EuroClear and information known to the company at 31 December 2014.

# Directors' Report

The Board of Directors and CEO of Nexam Chemical Holding AB (publ), Corporate Registration Number 556919-9432 hereby present the Annual Report and consolidated financial statements for the 1 January 2014 – 31 December 2014 financial year. The Company is registered in Sweden and has its registered office in Lund. The Annual Report is presented in SEK thousand, unless otherwise stated.

## OPERATIONS

Nexam Chemical engages in the development, manufacture, marketing and sales of unique cross-linking chemicals for plastics manufacturers, plastics converters and plastics recyclers. The technology with crosslinkers and chain extenders that the Company develops and manufactures makes it possible to cost-effectively

improve the properties and performance of various types of plastics. The properties that can be improved include temperature resistance, lifespan and chemical resistance. Nexam Chemical's technology also makes it possible to upgrade recycled plastic, which means that a higher amount of plastic can be reused. The operations also include sales of services and know-how, as well as other activities consistent with the above operations. In recent years, Nexam Chemical's operations have primarily focused on the development of new molecules for crosslinking and chain extension. Development takes place in the subsidiary Nexam Chemical AB and its wholly owned subsidiary in Scotland, Nexam St. Andrews Ltd. The scale-up of production volumes and all manufacturing takes place in the Group's facility in Cupar, Scotland.

Multi-year comparison, Parent Company (SEK thousand)	2014	2013
Net sales	6,033	4,776
Profit/loss before tax	-2,136	15
Profit/loss as % of net sales	neg	0.31
Total assets	308,649	246,002
Equity/assets ratio (%)	99.3	99.2

Multi-year comparison, Group (SEK thousand)	2014	2013	2012
Net sales	1,602	2,547	764
Grants for R&D recognised as revenue	401	2,735	2,330
Profit/loss before tax	-35,053	-26,508	-17,604
Cash and bank balances	62,543	32,511	7,265
Equity	73,804	43,523	15,676
Total assets	84,973	54,516	21,589
Equity/assets ratio (%)	87	80	73
Return on equity (%)	neg	neg	neg
Return on total assets (%)	neg	neg	neg
Quick ratio (%)	893	600	230
R&D expenses	-15,173	-13,952	-9,979
Total operating expenses	-39,751	-33,907	-22,247
R&D expenses of total operating expenses (%)	38	41	45
Number of shares before dilution outstanding at 31 Dec <sup>*)</sup>	51,780,000	48,780,000	35,978,328
Number of shares after dilution outstanding at 31 Dec <sup>*)</sup>	53 108 625	50 108 625	37 306 953
Average number of shares outstanding before dilution <sup>*)</sup>	51,138,904	47,015,419	35,978,328
Average number of shares outstanding after dilution <sup>*)</sup>	51,740,703	47,364,575	35,978,328
Number of warrants outstanding at 31 Dec <sup>**)</sup>	1,328,625	1,328,625	1,328,625
Earnings per share before dilution <sup>*)</sup>	-0.69	-0.56	-0.49
Earnings per share after dilution <sup>*)</sup>	-0.69	-0.56	-0.49
Equity/share before dilution <sup>*)</sup>	1.43	0.89	0.44
Equity/share after dilution <sup>*)</sup>	1.58	0.97	0.44
Share price on balance-sheet date	11.55	10.30	-
Dividends	-	-	-

<sup>\*)</sup> The comparative figures for 2012 have been restated in terms of the number of shares in the reverse acquisition and the changed quotient value.

<sup>\*\*)</sup> The number of warrants outstanding in Nexam Chemical AB has been restated as shares in Nexam Chemical Holding AB upon full conversion, see Note 19. The 1,083,849 warrants in the 2014/2017 Incentive Programme that were gratuitously issued by the subsidiary during the year are not included in the financial ratios.

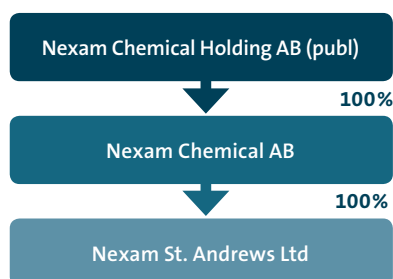
## MULTI-YEAR COMPARISON

In 2012, a Group consisting of Nexam Chemical AB and Nexam St Andrews Ltd. was formed. Nexam Chemical Holding AB was registered on 22 January 2013, and executed a reverse acquisition of Nexam Chemical AB on 20 March 2013. The acquisition was implemented via a non-cash issue of 248,969 shares in Nexam Chemical AB. As payment for these shares, Nexam Chemical Holding AB issued 46,180,000 shares to the shareholders of Nexam Chemical AB. The newly issued shares represent 94.7 percent of the total number of shares and votes in Nexam Chemical Holding AB, see Note 27.

In March 2014, the Company raised SEK 67.5 million, before issuing costs, through the issuance of three million new shares.

## GROUP

The Group's legal structure consists of the Parent Company, Nexam Chemical Holding AB (publ) Corp. Reg. No. 556919-9432, whose operations include Group functions as well as owning and managing shares in the subsidiary Nexam Chemical AB, Corp. Reg. No. 556784-6711, which, in turn, owns Nexam St Andrews Ltd., Corp. Reg. No. SC410830, Scotland.



## SIGNIFICANT EVENTS IN 2014

### Operations

In early 2014, Nexam Chemical signed exclusive supply agreements with Armacell and BASF, both of which contained agreed minimum volumes. An exclusive supply agreement was signed with Armacell regarding Nexam Chemical's PET foam products. Under the agreement, Armacell undertakes to purchase minimum volumes to maintain exclusivity. During the year, deliveries to Armacell did not reach the agreed volumes due to Armacell's strategic decision to replace new PET with recycled PET as the main raw material. This will delay Armacell's development process, but due to the excellent test results obtained by Armacell with Nexam Chemical's product, both parties agreed to extend the exclusivity period.

The agreement with BASF entailed exclusivity for formulations of polyamide 66 containing Nexam Chemical's crosslinkers. BASF's agreed undertakings for 2014 were not met. Accordingly, both parties agreed that the exclusive supply agreement would not be extended. This does not mean that work with Polyamide 66 (PA 66) modified with crosslinkers from Nexam Chemical will cease. Instead, Nexam Chemical now has an opportunity to initiate partnerships with other market actors that work with PA 66.

Nexam Chemical deepened its partnership with IRPC, a polymer and polyolefin producer, which was also involved in the now concluded Eurostar PO-CROSS project.

Two new products were launched during the year – NEXIMID® M-HTR, an easily worked polyimide resin for high-temperature applications, mainly for use in the aerospace industry, and NEXAMITE® PBO. A multi-functional additive that can be used as a crosslinker and chain extender.

During the year, Nexam Chemical further strengthened its intellectual property protection when several new patents were granted in a number of markets. The patents pertain to molecules, and to new and improved manufacturing processes.

Nexam Chemical received a funding grant of SEK 3.4 million from Eurostar for the rPET project, which commenced at the end of the year in partnership with Armacell and The European Van Company. The aim is to develop a product that can help to upgrade PET and recycled PET.

### Other

On 14 March 2014, the Company raised SEK 67.5 million, before issuing costs, through a private placement of three million shares. The shares were offered to international institutional investors and qualified investors in Sweden, at a price of SEK 22.50 per share. The subscription price was set by a customary bookbuilding process. The new share issue entailed a dilution of 5.8 percent, based on the number of shares after the issue.

Interest in Nexam Chemical's share demonstrated favourable liquidity, with significant trading volumes. The Company's liquidity guarantee agreement with Remium was therefore terminated in March 2014.

### **Changes in Nexam Chemical's management**

In November 2014, the Board of Directors appointed Anders Spetz as new CEO from 1 January 2015. At the same time, a new management group was formed and the Company's four founders assumed an advisory role to the Company and its new management. This change was a joint initiative of the Board and the four founders to strengthen and complement the organization as the Company now enters the commercialization phase.

### **REVENUE AND EARNINGS**

In 2014, consolidated sales amounted to SEK 1,602,000 (2,547,000). Compared with 2013, which was strongly affected by invoiced qualification volumes for a development project and external projects conducted by Nexam St Andrews, sales in 2014 reflected low, but more continual, deliveries of the Company's launched products. The Group's other operating income during the year amounted to SEK 840,000 (2,910,000), which included EU grants of SEK 401,000 (2,735,000) for development projects.

Operating expenses totalled SEK 39,751,000 (33,907,000). An increase of SEK 5,844,000 in operating expenses was mainly due to higher other external expenses, SEK 18,076,000 (13,734,000). The increase was attributable to higher consulting costs for the recruitment of new senior executives, marketing costs and costs incurred by the planned change of list. Most of these increases were non-recurring costs. Higher cost for personnel, SEK 13,796,000 (12,923,000), was due to an increase in the average number of employees compared to 2013. In 2014, the Group's total costs for research and development, before deductions for grants received, amounted to approximately SEK 15.2 million (app. SEK 14.0 million), representing 38 percent (41) of total operating expenses.

Earnings were also impacted by an impairment loss of SEK 1,212,000 pertaining to previously acquired intellectual property rights, where there is uncertainty regarding how these rights should be capitalised. Consolidated operating loss totalled SEK 35,497,000 (26,790,000). Net financial items amounted to SEK 444,000 (282,000) and refers to interest income on excess capital and interest expenses on loans in Nexam St Andrews Ltd. Loss for the year amounted to SEK 35,052,000 (26,513,000).

### **FINANCIAL POSITION**

At year-end, the Group's total assets amounted to SEK 84,973,000 (54,516,000). On the balance-sheet date, 31 December 2014, cash and cash equivalents totalled SEK 62,543,000 (32,511,000). At 31

December 2014, equity amounted to SEK 73,804,000 (43,523,000), and the equity/assets ratio was 87 (80). Equity per share was SEK 1.43 (0.89). Long-term liabilities include an interest-bearing loan of GBP 167,000 from Handelsbanken in Scotland regarding the operations in Nexam St Andrews Ltd.

### **CASH FLOW**

Cash flow for the year was SEK 29,856,000 (25,227,000), where the cash flow for both 2013 and 2014 was positively impacted by capital contributions of SEK 64,689,000 and SEK 53,820,000, respectively, from new share issues. Cash flow from operating activities amounted to a negative SEK 31,491,000 (24,770,000), of which a negative change of SEK 472,000 (1,198,000) in working capital was mainly attributable to higher inventory levels in connection with the launch of new products at year-end. Investments in tangible fixed assets had a negative impact of SEK 1,727,000 (2,102,000) on the cash flow.

### **INVESTMENTS**

At year-end, fixed assets totalled SEK 14,769,000 (15,944,000). In 2014, investments in tangible fixed assets amounted to SEK 2,614,000 (6,425,000), and investments in intangible fixed assets totalled SEK 44,000 (832,000). Investments in tangible fixed assets refers to equipment for, and the refurbishment of, the Company's laboratories, as well as fixtures in connection with relocation to a new office.

### **PARENT COMPANY**

The Parent Company's revenue of SEK 6,033,000 (4,776,000) regards management fees invoiced to Nexam Chemical AB. In 2013, the Parent Company conducted no operations during the year first months, which meant that operating expenses for 2014 were SEK 4,037,000 higher than the year before. However, expenses also increased pertaining to consulting fees for economic and financial services, as well as costs for recruitment and corporate governance. Net financial items amounted to SEK 626,000 (expense: 2,000), which refers to interest income on capital surplus. On the balance-sheet date, the Company's cash and cash equivalents totalled SEK 22,462,000 (1,314,000).

### **THE NEXAM CHEMICAL SHARE**

Nexam Chemical's share has been listed on Nasdaq OMX First North since 23 April 2013, under the trade name NEXAM. At 31 December 2014, the share capital amounted to SEK 995,769, distributed between 51,780,000 shares. The Company has only one class of shares. Each share carries one vote at the Annual General



Meeting and all shares carry equal rights to the Company's assets and earnings.

If all warrants outstanding are exercised in the three Incentive Programmes implemented by the subsidiary Nexam Chemical AB, Nexam Chemical Holding AB will issue a total of 1,328,625 new shares. The Company's share capital will subsequently be raised by SEK 25,550. In the current situation, the dilution at full exercise would be approximately 2.50 percent (2.65).

If all 1,083,849 warrants in the 2014/2017 Incentive Programmes are transferred, subscribed and exercised, Nexam Chemical Holding AB will issue 1,083,849 new shares and the share capital will rise by SEK 20,843. In the current situation, full exercise of these warrants would entail dilution of about 2.0 percent

For more information about the Incentive Programmes, see below under Incentive Programmes.

Nexam Chemical is not aware of any agreements between shareholders that may restrict their right to transfer shares in the Company. During the year, interest in the Company's share increased among institutional investors. To expand ownership, the founders and Board members decided in July to transfer a total of about 3.2 million shares to selected institutional investors. This corresponds to slightly more than 25 per cent of the respective holdings.

## RISKS AND RISK MANAGEMENT

All businesses activities are associated with risks. Risks that are well-managed can lead to opportunities and create value, while risks that are not well-managed can result in damage and losses.

Nexam Chemical operates in a global market, with development, marketing and sales of crosslinkers for polymers, as well as services for professional users. Through its operations, the Company is exposed to a number of external and internal risks. Risk management is therefore an important part of the Company's management and control.

Nexam Chemical's risk management includes both strategic and operational risks, risks of non-compliance with laws and regulations, and risks of errors in the Company's reporting, including financial reporting. The risks can mainly be broken down into market related, operational and financial risks. Continuous work is carried out at various levels of the Company to identify all material risks and assess how they should be managed.

- Market related risks are primarily managed at Board and management level
- Operational risks are principally managed at management level
- Function specific risks in Operation and Finances & Administration are managed within the respective function
- Legal risks are primarily managed at management level in cooperation with external lawyers and advisers, but also at Board level if necessary
- Risks relating to financial reporting are primarily managed at management level by the Company's CEO, in cooperation with external advisers
- Financial risks are mainly managed at Board and management level

The risks described below are not mutually ranked and the description does not purport to be complete.

### **Market-related risks**

Regulatory requirements and political decisions. Nexam Chemical holds all necessary permits for the operations it conducts. The operations are conducted in accordance with applicable laws, but also with consideration for environmental and ethical standards. However, there is no guarantee that new regulatory requirements will not impede the Company's business operations or that currently valid permits will be renewed on the same terms as before, or that the Group's currently adequate level of insurance cover will be sufficient.

Nexam Chemical conducts sales in several different markets. Changes in laws and regulations, such as customs regulations, export regulations and other laws and regulations in the countries in which the Company operates and conducts sales of its products, may have an adverse impact on the Company's operations. Nexam Chemical is also affected by political and financial uncertainties in the countries in which it operates. The above could have negative implications for Nexam Chemical's operations and earnings.

Global economic conditions. Nexam Chemical's sales are partly dependent on the global economy. A prolonged economic downturn with reduced willingness for new development among customers could lead to weaker demand for the Company's products. This could lead to orders not being placed, being withdrawn or postponed. As such, a weak economic climate could have a negative impact on Nexam Chemical's operations.

**Competition.** Although the market for Nexam Chemical's type of crosslinker to polymers is relatively new, the plastics industry is subject to intense competition. Nexam Chemical's products aim to outrank other systems and solve customer problems in a new and more economical manner. However, it cannot be ruled out that other systems and products may also be developed by competitors and compete with Nexam Chemical in the future. If Nexam Chemical is unable to adapt its operations and products to market trends, there is a risk that the Company will become less competitive, which would have a negative impact on the Company's development opportunities.

**Technical risks.** Technological changes are expected to continue in the market for modification of polymers, entailing exposure to changing market trends. This development may bring technical problems, which means it will take longer than planned to bring new products to market and the Company's costs could be higher than expected, due to both costs in the development phase and delayed market introduction. Should the Company fail to develop and launch products based on the research and development work conducted, there is also a risk that the value of assets will need to be revised.

#### ***Company-specific risks***

**Ability to manage growth.** There is a possibility that Nexam Chemical's operations will grow due to increased demand for the Company's products, which would place high demands on the management and the operational and financial infrastructure. At present, the Company has a small-scale organisation. In order to ensure production and delivery to customers when demand increases, the Company must always have effective planning and management processes. In order to manage growth, the Company is also dependent on being able to procure subcontracting capacity, and to manage and control the subcontractors that Nexam Chemical chooses to work with. Should the Company be unable to adapt its organisation, processes and capacity to increased demand, this could have negative effects on the Company's sales, earnings and financial position.

**Market acceptance of newly developed products.** Nexam Chemical plans to continuously develop and bring new products to market. There is always a risk that new products are not received positively by the market, or that competing products or solutions launched by other actors have a better impact.

**Product liability.** Nexam Chemical sells most of its products according to specification, and with responsibility for purity requirements. If the product deviates from the specification, the purchaser receives a new product from Nexam Chemical. Although Nexam Chemical believes that the Company has a well-developed process for product development with specific documentation systems and high standards for systematic procedures, it cannot be ruled out that any errors in the Company's products could result in liability and damages claims against the Company. Nexam Chemical could therefore become liable for damages caused by its products. This is normally covered by insurance policies, but it cannot be ruled out that such liability could have a negative effect on the Company's financial position.

**Dependence on key individuals and employees.** Nexam Chemical is highly dependent on the Company's senior executives and other key individuals. Should the Company lose any of its key employees, this could delay or disrupt development projects or the commercialization of the Company's products. The Company's ability to attract and retain qualified personnel is critical to its future success. Although Nexam Chemical believes that the Company will be able to both attract and retain qualified personnel, there is no guarantee that this will take place on satisfactory terms compared with the competition from other companies in the industry, universities and other institutions.

**Customers and co-operation agreements.** Nexam Chemical's sales are mainly conducted in-house, but also through distributors and resellers, primarily in Japan and China. These partners are important for the Company's future development, since they cover markets that would otherwise be difficult for the Company to reach.

There is no guarantee that those companies that sign agreements with Nexam Chemical will be able to meet their obligations under these agreements. Furthermore, there is a risk that Nexam Chemical's size and financial position may affect the Company's opportunities to sign partnership agreements with strategic partners, and to secure important customer agreements. There is no guarantee that existing agreements will not be terminated or declared invalid, or that there will be no changes to concluded agreements. Non-concluded co-operation agreements, or business partners that fail to meet their obligations, may lead to lower or loss of revenues for Nexam Chemical.

**Patents and intellectual property rights.** Patents, an important part of Nexam Chemical's assets, have a limited life. The Company cannot guarantee that existing and/or future patent portfolios and other intellectual property rights held by the Company will constitute adequate commercial protection. Should Nexam Chemical be forced to defend its patent rights against a competitor, this could result in substantial costs that may have a negative impact on the Company's operations, earnings and financial position. Furthermore, this type of operation always entails a risk that Nexam Chemical may, or may allegedly, infringe patents held by third parties. Patents held by other actors may also limit the Company's freedom in terms of one or more of its products. The uncertainty associated with patent protection means that the outcome of such disputes is difficult to predict.

Negative outcomes in intellectual property disputes may lead to lost protection, a ban on the continued use of a current right, or liability to pay damages. Furthermore, even with a favourable outcome for the Company, the litigation costs could be substantial, which may have a negative impact on Nexam Chemical's earnings and financial position. The above could impede or delay the commercialization of future products and thus make it difficult to generate revenues. This also applies to other intellectual property rights, such as trademarks.

Nexam Chemical is also, to some extent, dependent on know-how and trade secrets, which are not covered by the same legal protection as intellectual property rights. The Company uses confidentiality agreements to secure high-level protection for sensitive information. However, it is not possible to fully protect against unauthorised dissemination of information, entailing a risk that competitors may acquire access to, and benefit from, the knowhow developed by the Company, to the detriment of Nexam Chemical.

**Supplier dependence.** Nexam Chemical's products are mostly manufactured by its subsidiary in Scotland, but also, if necessary, by subcontractors, mainly in Europe. In order for Nexam Chemical to deliver its products, the Company is dependent on raw materials, products and third-party services meeting agreed requirements in terms of, for example, quantity, quality and delivery time. Incorrect or missing deliveries from suppliers may delay Nexam Chemical's manufacturing and/or delivery, which may result in lower, or loss of, sales.

**Risks relating to financial reporting.** The most significant risks for errors in financial reporting primarily relate to the carrying amount of intangible fixed assets in the form of tangible and intangible assets acquired by subsidiary in Scotland. If the carrying amount of these assets is found to deviate from fair value, this may result in impairment, which could have negative effects on the Company's earnings and financial position. At 31 December 2014, the carrying amount of these items was not considered to exceed fair value.

#### FINANCIAL RISKS

Through its operations, Nexam Chemical is exposed to various financial risks, including interest-rate risk, currency risk, price risk, credit risk and financing and liquidity risk. Nexam Chemical's financial risks are mainly considered to comprise financing and liquidity risk, and currency risk, which are described below.

##### *Financing risk and liquidity risk*

Financing risk is the risk that the Group will be unable to obtain adequate financing at a reasonable cost. Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with the Group's financial liabilities. The Group is mainly financed through equity and at 31 December 2014, had only one loan of SEK 2.0 million from a credit institution in Scotland, and capital leases of SEK 3.4 million, see also Notes 21 and 23.

##### *Currency risk*

Currency risk is the risk that fair value or future cash flows fluctuate due to changes in exchange rates. Exposure to currency risk is mainly derived from payments in foreign currency, or "transaction exposure." Currency risk also derives from the translation of balance-sheet items denominated in foreign currency, and the translation of foreign subsidiaries' income statements and balance sheets to the Group's reporting currency, which is SEK, or "balance-sheet exposure."

Nexam Chemical operates in a global market, with major portions of its sales and purchasing in currencies other than SEK. The Group's sales are mainly conducted in USD, JPY and EUR. The Group's raw materials purchases are made in USD, but also in other currencies. The Group's expenses are mainly incurred in SEK, but also in GBP.

Changes in the value of the SEK relative to other currencies may thus have both positive and negative effects on the Company's earnings and financial position. The Group does not hedge its transaction exposure.

At 31 December 2014, the Group's exposure in the net assets of its Scottish subsidiary totalled GBP 570,409 (SEK 6,924,076).

#### **Future capital requirements**

Nexam Chemical's ability to meet future capital requirements is largely dependent on successful commercialisation of the Company's products. Any delays relating to commercialization could mean that cash flow is generated later than planned. To date, Nexam Chemical has never reported positive earnings and it cannot be excluded that the Company may require additional capital until the business reaches its break-even point, with positive earnings and cash flow. There is no guarantee that the Company will be able to obtain the capital required, even when the Company's development is positive.

#### **ORGANISATION**

One of Nexam Chemical's key success factors is its employees. In 2014, the average number of employees in the Group was 23 (22), of whom 5 (5) were women. At year-end, the number of employees was 1 (1) part-time employee and 24 (22) full-time employees. Of the total 25 (23) employees, 5 (6) were women and a total of 16 (13) were employed in the Company's research and development operation. The level of education is high. Eleven employees hold doctoral degrees in fields that are relevant to the Company's development, seven have university/college education and seven have secondary education.

In 2015, Nexam Chemical will primarily strengthen its capacity and expertise in sales and marketing, as the Company moves into the next phase of its product commercialisation.

#### **REMUNERATION**

The Annual General Meeting resolves on remuneration of the Chairman and other Board members.

The AGM also resolves on guidelines for remuneration of the CEO and other senior executives. For further information about remuneration in 2014, see Note 8.

The Board of Directors proposes that remuneration for 2015 be resolved on the same principles as for 2014.

#### **INCENTIVE PROGRAMMES**

##### ***Incentive Programmes for Nexam Chemical AB***

The Company's subsidiary, Nexam Chemical AB, has issued 7,280 warrants to employees distributed between three share option programmes with redemption in 2016, 2017 and 2018 (see Note 19). Nexam Chemical Holding AB has entered into an agreement with the warrant holders concerning a right to acquire any subscribed shares in the subsidiary against payment in the form of 182,5034 new shares in Nexam Chemical Holding AB for each new share in the subsidiary. If all warrants are exercised for the subscription of shares in the subsidiary, Nexam Chemical Holding AB will issue a total of 1,328,625 shares as payment. The new shares would represent about 2.50 percent of the share capital, based on the current number of outstanding shares.

##### ***The 2014/2017 Incentive Programme***

In September 2014, in accordance with an AGM decision on 14 May 2014, Nexam Chemical issued 1,083,849 warrants to its subsidiary Nexam Chemical AB without consideration. The subsidiary is entitled to transfer the warrants to senior executives and key individuals in the Nexam Chemical Group at an amount corresponding to their market value. Each warrant entitles the holder to subscribe for one new share in Nexam Chemical Holding AB in 2017, at an exercise price that in September 2014 was estimated at SEK 35.20 per share. Full exercise of all 1,083,849 warrants will represent about 2.0 percent of the share capital, based on the current number of shares outstanding. In January 2015, senior executives and key individuals had subscribed for a total of 700,000 warrants, at a market value of SEK 0.20 per warrant according to the Black-Scholes model for calculation.

Otherwise, there are no warrants outstanding, convertible bonds or similar financial instruments that may entitle subscription for new shares, or affect the share capital in another way.

#### **ENVIRONMENT, HEALTH AND SAFETY**

Nexam St Andrews Ltd conducts operations that are subject to permit requirements at its facility in Cupar, Scotland. Nexam Chemical AB has development operations that are subject to notification requirements at its two facilities in Lund, Sweden. Nexam Chemical also holds a permit for flammable materials for its operations in Lund.

Nexam Chemical's obligations include minimising the emission of volatile organic compounds into the air. Discharges to the wastewater system are to be maintained at zero.

Nexam Chemical AB has also a Health and Safety Policy. The Policy contains guidelines for Nexam Chemical's systematic preventive work with health and safety, the safety of its employees and customers, and the environment. Nexam Chemical works proactively to ensure that the Company complies with laws and regulations, including registration of products covered by REACH. REACH is an abbreviation for "Registration, Evaluation, Authorisation and Restriction of Chemicals" under Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006.

Nexam Chemical strives for diversity and equality in the workplace. The Company is not party to any collective agreements, but offers similar terms to its employees as those in collective agreements. Salaries are determined individually, based on job performance. Competence development in the Company is based on each individual, to match current and future assignments.

Nexam St Andrews also has a Health and Safety Policy and a Corporate Social Responsibility Policy.

#### SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

- Anders Spetz assumed his position as new CEO of Nexam Chemical on 1 January 2015, and a new management group was formed. The four founders assumed an advisory role.
- The management and key individuals in the Company subscribed for 700,000 warrants in the incentive programme that runs until autumn 2017.
- Lars Öhrn was employed as CMO and will assume his position in May 2015. Lars has extensive marketing and sales experience in the plastics industry.
- Christian Svensson, who has acted as CFO on a consultancy basis since August 2014, was permanently employed.
- Two new patents were granted – in the US, for a new process for the manufacture of EBPA, and in Europe, for the catalysis of crosslinking.

#### DISPUTES

In 2014, Nexam Chemical reached an agreement with a US company that Nexam Chemical will not use the NEXAM™ trademark in future. The agreement has not resulted in any additional costs for the Company.

Except for the dispute described above, Nexam Chemical has not been involved in any legal or arbitration proceedings (including pending matters and those that Nexam Chemical is aware may arise) during the past twelve months that could have significant effects on Nexam Chemical's financial position or profitability.

#### OUTLOOK FOR 2015

In the coming year, Nexam Chemical will prioritise efforts to commercialise the Company's products and establish continuous sales. The objective is to broaden the customer base, and to identify the most valuable customers from a commercial perspective and ensure that the Company understands their needs. Nexam Chemical will strengthen its marketing and sales capabilities, and develop the Company's marketing communication to ensure its relevance to all customer categories. Nexam Chemical also intends to package the Company's products in an attractive manner and, if necessary, adapt potential volume products to ensure full compliance with customer requirements.

#### PROPOSED ALLOCATION OF THE COMPANY'S UNAPPROPRIATED FUNDS

The following amounts in SEK are at the disposal of the Annual General Meeting:

Share premium reserve	307,732,837
Retained earnings	10,172
Profit for the year	-2,135,077
	305,607,932

The Board proposes that unappropriated funds of SEK 305,607,932 be carried forward. Thus, no dividend is proposed.

# Income statement

Amounts in SEK thousand	Note	Group		Parent Company	
		1/1/2014– 31/12/2014	1/1/2013– 31/12/2013	1/1/2014– 31/12/2014	22/01/2013 – 31/12/2013
Net sales	3,4	1,602	2,547	6,033	4,776
Changes in goods in progress, finished goods and work in progress		1,812	1,660	–	–
Other operating income	5	840	2,910	–	–
		<b>4,254</b>	<b>7,117</b>	<b>6,033</b>	<b>4,776</b>
<b>Operating expenses</b>					
Raw materials and consumables		-3,723	-4,680	–	–
Other external expenses	6,7	-18,076	-13,734	-6,262	-2,561
Personnel expenses	8	-13,796	-12,923	-2,534	-2,198
Depreciation/impairment of tangible fixed assets, amortisation and impairment of intangible assets		-4,156	-2,570	–	–
<b>Operating profit/loss</b>		<b>-35,497</b>	<b>-26,790</b>	<b>-2,763</b>	<b>17</b>
<b>Profit/loss from financial items</b>					
Interest income		714	556	615	–
Interest income from Group companies		–	–	11	–
Interest expenses and similar items	9	-270	-274	–	-2
<b>Profit/loss after financial items</b>		<b>-35,053</b>	<b>-26,508</b>	<b>-2,136</b>	<b>15</b>
Tax on profit for the year	10	1	-5	1	-5
<b>Profit/loss for the year</b>		<b>-35,052</b>	<b>-26,513</b>	<b>-2,135</b>	<b>10</b>
<b>Earnings per share (SEK)</b>					
Basic earnings per share		-0.69	-0.56		
Diluted earnings per share		-0.69	-0.56		
Average number of basic shares outstanding		51,138,904	47,015,419		
Average number of diluted shares outstanding		51,740,703	47,364,575		

\* See the disclosure on warrants in note 19 for the number of outstanding shares and warrants.

# Balance sheet

Amounts in SEK thousand	Note	Group		Parent Company	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Intangible fixed assets</i>					
Acquired technology	11	2,200	3,572	-	-
		<b>2,200</b>	<b>3,572</b>	-	-
<i>Tangible fixed assets</i>					
Buildings and land	12	4,003	3,615	-	-
Plant and machinery	13,21,23	6,274	6,572	-	-
Equipment, tools, fixtures and fittings	14,21,23	1,384	1,747	-	-
Cost of leasehold improvements	15	903	433	-	-
		<b>12,564</b>	<b>12,367</b>	-	-
<i>Financial assets</i>					
Shares in Group companies	16	-	-	243,990	243,990
Other non-current receivables	17	5	5	-	-
		<b>5</b>	<b>5</b>	<b>243,990</b>	<b>243,990</b>
<b>Total fixed assets</b>		<b>14,769</b>	<b>15,944</b>	<b>243,990</b>	<b>243,990</b>
<b>Current assets</b>					
<i>Inventories etc.</i>					
Raw materials and consumables		1,000	570	-	-
Goods in progress		72	154	-	-
Finished goods and goods for resale		3,565	2,100	-	-
		<b>4,637</b>	<b>2,824</b>	-	-
<i>Current receivables</i>					
Trade receivables		405	1,841	-	-
Receivables from Group companies		-	-	41,836	673
Current tax assets		93	120	-	-
Other receivables		1,197	935	-	-
Prepaid expenses and accrued income	18	1,330	341	361	26
		<b>3,024</b>	<b>3,237</b>	<b>42,197</b>	<b>698</b>
<b>Cash and bank balances</b>		<b>62,543</b>	<b>32,511</b>	<b>22,462</b>	<b>1,314</b>
<b>Total current assets</b>		<b>70,204</b>	<b>38,572</b>	<b>64,659</b>	<b>2,012</b>
<b>TOTAL ASSETS</b>		<b>84,973</b>	<b>54,516</b>	<b>308,649</b>	<b>246,002</b>

# Balance sheet, cont'd

Amounts in SEK thousand	Note	Group		Parent Company	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>19,20</b>				
Restricted equity					
Share capital		996	938	996	938
		<b>996</b>	<b>938</b>	<b>996</b>	<b>938</b>
<b>Unrestricted equity</b>					
Share premium reserve		-	-	307,733	243,102
Retained earnings		-	-	10	-
Profit/loss for the year		-	-	-2,135	10
		-	-	<b>305,608</b>	<b>243,112</b>
Other paid-in capital		179,496	114,865	-	-
Other equity including profit/loss for the year		-106,688	-72,281	-	-
		<b>72,808</b>	<b>42,585</b>	-	-
<b>Total equity</b>		<b>73,804</b>	<b>43,523</b>	<b>306,604</b>	<b>244,050</b>
<b>Non-current liabilities</b>					
Liabilities to credit institutions	<b>21,22</b>	1,865	1,690	-	-
Debt, finance lease obligations	<b>23</b>	1,962	3,344	-	-
		<b>3,827</b>	<b>5,034</b>	-	-
<b>Current liabilities</b>					
Liabilities to credit institutions	<b>21,22</b>	162	185	-	-
Debt, finance lease obligations	<b>23</b>	1,462	1,102	-	-
Trade liabilities		1,826	2,153	428	836
Liabilities to Group companies		-	-	-	623
Current tax liabilities		-	5	4	5
Other liabilities		1,438	910	183	237
Accrued expenses and deferred income	<b>24</b>	2,454	1,604	1,430	251
		<b>7,342</b>	<b>5,959</b>	<b>2,045</b>	<b>1,952</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>84,973</b>	<b>54,516</b>	<b>308,649</b>	<b>246,002</b>
<b>Pledged assets and contingent liabilities – Group</b>					
<b>Pledged assets</b>					
<i>For internal liabilities and provisions</i>					
Property mortgages		2,027	1,875	-	-
Assets with retention of title		4,189	5,748	-	-
<b>Total pledged assets</b>		<b>6,216</b>	<b>7,623</b>	-	-
<b>Contingent liabilities</b>					
Underwriting commitments, Euroclear Sweden AB		50	50	-	-
Guarantee for Nexam St Andrews Ltd	<b>22</b>			2,027	-
<b>Total contingent liabilities</b>		<b>50</b>	<b>50</b>	<b>2,027</b>	-



# Cash flow statement

Amounts in SEK thousand	Note	Group		Parent Company	
		1/1/2014– 31/12/2014	1/1/2013– 31/12/2013	1/1/2014– 31/12/2014	22/01/2013 – 31/12/2013
<b>Operating activities</b>					
Operating profit/loss		-35,497	-26,790	-2,763	17
Adjustment for items not included in cash flow:					
– Depreciation/amortisation		4,156	2,570	–	–
– Other items that don't affect liquidity		-123	372	–	–
Interest received etc.		714	556	627	–
Interest paid and foreign exchange earnings realised		-270	-274	–	-2
Tax paid		1	-5	1	-5
<b>Net cash flow from operating activities before changes in working capital</b>		<b>-31,019</b>	<b>-23,572</b>	<b>-2,135</b>	<b>10</b>
<i>Cash flow from changes in working capital</i>					
Increase(-)/decrease(+) in inventories		-1,707	-923	–	–
Increase(-)/decrease(+) in trade receivables		371	-1,993	-41,499	-698
Increase(-)/decrease(+) in trade liabilities		864	1,718	93	1,952
<b>Net cash flow from operating activities</b>		<b>-31,491</b>	<b>-24,770</b>	<b>-43,541</b>	<b>1,264</b>
<b>Investing activities</b>					
Acquisition of intangible fixed assets		-52	-831	–	–
Acquisition of tangible fixed assets	26	-1,727	-2,102	–	–
<b>Net cash flow from investing activities</b>		<b>-1,779</b>	<b>-2,933</b>	<b>–</b>	<b>–</b>
<b>Financing activities</b>					
New share issue		64,689	53,820	64,689	50
Borrowings		2,027	–	–	–
Repayment of borrowings		-3,590	-940	–	–
Non-cash issue	27	–	50	–	–
<b>Net cash flow from financing activities</b>		<b>63,126</b>	<b>52,930</b>	<b>64,689</b>	<b>50</b>
<b>Net cash flow for the year</b>		<b>29,856</b>	<b>25,227</b>	<b>21,148</b>	<b>1,314</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>32,511</b>	<b>7,265</b>	<b>1,314</b>	<b>–</b>
<b>Effect of exchange rate fluctuations on cash held</b>		<b>175</b>	<b>19</b>	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the year</b>	28	<b>62,543</b>	<b>32,511</b>	<b>22,462</b>	<b>1,314</b>

# Additional Disclosures

## General disclosures

### Note 1 Accounting principles

This annual report has been drawn up in compliance with the Swedish Annual Accounts Act. The Group has applied BFNAR (the Swedish Accounting Standards Board's General Advice) 2012:1 (K3) since 2012. Upon transition to K3, the Group elected to not apply any exemption. Instead, numbers were translated with full retroactivity.

#### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been drawn up on the basis of the acquisition method as specified in BFNAR 2012:1. The identifiable assets and liabilities of acquired businesses are recognized at market value according to a completed Acquisition analysis. In the event that the business's cost exceeds the estimated market value of the acquired net assets in accordance with the acquisition method, the difference is recognized as goodwill.

The consolidated financial statements include, except for the Parent Company, all companies in which the Parent Company directly or indirectly holds 50 percent or more of the votes or in another way has control pursuant to BFNAR 2012:1.

A reverse acquisition was executed during 2013, and the details surrounding the transaction can be found in the Directors' Report for 2014. Nexam Chemical Holding AB has had a controlling interest in Nexam Chemical AB since 20 March 2013 and is therefore legally the Parent Company of the Group

#### TRANSLATION OF FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries have been translated into SEK at the current exchange rate method. The current exchange rate method entails all assets, provisions and other liabilities being translated to the exchange rate on the balance sheet date and all income statement items being translated to the annual average exchange rate. Any translation differences are recognized directly in Group equity.

#### MEASUREMENT PRINCIPLES ETC.

Assets, provisions and liabilities have been measured at cost if nothing else is stated below.

#### TANGIBLE FIXED ASSETS

Tangible fixed assets are recognized at cost less accumulated depreciation and any impairment losses. The assets are depreciated

on a straight-line basis over the useful life of the assets. The calculated residual value of all tangible fixed assets is estimated to be zero after their useful life.

Nexam Chemical has estimated that, on the basis of the value and conditions of the building in Scotland, there are not any material differences in the service life of significant components. As a result, depreciation is done on a straight-line basis over 50 years.

The following depreciation periods apply:

Industrial building	2%
Plant and machinery	10–25%
Computers	20–33%
Equipment, tools, fixtures and fittings	10–25%

#### INTANGIBLE FIXED ASSETS

The intangible fixed assets consist of expenses related to patent applications regarding the Company's technology and products, as well as acquired intangible assets. The patent applications that have not yet been granted has a good position to protect the Company for a long time. The products and technology that the patents protect are estimated to be sufficiently unique so that Nexam Chemical will have a financial advantage from the patents corresponding to the protection period of the patents, i.e. 20 years. Scheduled amortization is therefore calculated over a useful life of 20 years which matches the protection period of patents pursuant to, for example, Section 40 of the Swedish Patent Act and Article 63 of the European Patent Convention. Intangible fixed assets are recognized at cost less accumulated depreciation and any impairment losses. The assets are amortized on a straight-line basis over the useful life of the assets. The calculated residual value is zero after the useful life (see also note 11).

#### INVENTORIES

Inventories are measured at cost, which is ascertained using the first-in - first-out method. For goods in progress and finished goods, cost includes other direct personnel expenses, raw materials, other operating income, direct other external expenses and a reasonable proportion of indirect manufacturing overheads. Obsolescence of the inventory has been considered.

#### FINANCIAL INSTRUMENTS

##### *Trade receivables/current receivables*

Trade receivables and current receivables are recognized as current assets at the amount expected to be received by the Company less individually assessed doubtful accounts.

### **Securities and financial receivables**

Securities and financial receivables acquired to be held as long-term investments are initially recognized at fair value and after that at amortized cost according to the effective interest method, less any impairment allowance. Securities acquired to be held as short-term investments are recognized at the lower of cost or market. All securities transactions are recognized on the transaction date.

### **Trade liabilities**

Trade liabilities are recognized at fair value because their estimated maturity is short. Trade liabilities denominated in foreign currencies are measured at the exchange rates on the balance sheet date. Any exchange rate difference is recognized in the income statement.

### **Loans payable**

Loans payable are initially recognized at the amount received less transaction costs. If the carrying amount differs from the amount to be repaid on the maturity date, the difference is accrued as interest expenses over the term of the loan. The carrying amount and the amount to be repaid thus are equal on the maturity date. Financial liabilities are not de-recognized until the liabilities have been settled via repayment or they have been remitted.

### **Leases**

Leases are divided up into operating leases and finance leases. Finance leases are recognized in the Group as a purchase made in instalments. Operating leases are recognized as costs in the income statement on a straight-line basis over the lease period.

### **Research and development**

Internally generated expenses for research and development are recognized as expenses as they are incurred.

### **Receivables and liabilities denominated in foreign currencies**

Receivables and liabilities denominated in foreign currencies are recognized at the exchange rates on the balance sheet date. Receivables denominated in foreign currencies that Nexam Chemical AB can have from Nexam St Andrews Ltd are deemed part of its net investment in its subsidiary. Foreign exchange earnings related to these, less the tax impact, are therefore recognized as accumulated translation difference in Group equity.

## **EMPLOYEE COMPENSATION**

### **Short-term compensation**

The Group's short-term compensation consists of salaries, wages, social security contributions, paid holiday, paid sick leave, health-

care and bonuses. Short-term compensation is recognized as an expense and a liability, since there is a legal or informal obligation to pay the compensation as a result of a prior event and the amount can be reliably estimated.

### **Compensation after the end of an employment relationship**

The Group only has defined contribution plans. In the defined contribution plans, the Company pays fixed contributions to a separate legal entity and has no legal or informal obligation to pay additional contributions, even if the other company cannot meet its obligations. The Group's profit is impacted with expenses as benefits are earned.

Pension obligations for salaried employees covered by insurance policies are recognized in the Parent Company and in the Group as a defined contribution plan.

### **Compensation in the event of dismissal**

Compensation in the event of dismissal is paid when a company in the Group of companies decides to end an employment relationship before its normal end date or when an employee accepts an offer to voluntarily resign in exchange for such compensation. If the compensation does not give the company any future financial rewards, a liability and an expense is recognized when the company has a legal or informal obligation to pay such compensation. The compensation is valued at the best estimate of the compensation that would be required to settle the obligation on the balance sheet date.

## **TAXES INCLUDING DEFERRED TAX**

The income tax recognized includes current tax and deferred tax. For items that are recognized in the income statement, the related tax is also recognized in the income statement. For items recognized directly in equity, the tax is also recognized directly in equity.

Deferred tax is calculated on all temporary differences. There is a temporary difference when the carrying amount of an asset or liability differs from the taxable value.

Deferred tax assets related to loss carryforwards or other future tax deductions are recognized to the extent that it is probable that the deductions can be offset against future taxable profit.

## **GOVERNMENT ASSISTANCE**

Government grants that do not have a consideration requirement are recognized as revenue when the conditions for receiving the grants are met. Government grants with a future consideration requirement are recognized as revenue upon performance of the consideration.

**RENDERING OF SERVICES**

Revenue is measured at the fair value of the consideration received or receivable. The Company recognizes revenues as the services are delivered.

**SALE OF GOODS**

Revenue arising from the sale of goods is recognized when all of the following criteria have been satisfied; the seller has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Note 2 Significant estimates and judgements

The presentation of the financial statements and the application of accounting principles is often based on management's judgements, estimates and assumptions deemed reasonable at the time the judgement is made. Estimates and assumptions are based on historic experience and several other factors deemed reasonable in light of the present circumstances. The result is used to estimate the carrying amounts of assets and liabilities, which otherwise are not evident from other sources. The actual outcome can deviate from these estimates and judgements.

The estimates and assumptions are reviewed regularly. Any changes are recognized in the period the change is made, if it only affected that period, or in the period the change is made and future periods if the change affects both current and future periods.

The substantial risks in financial reporting primarily refer to the carrying amount of fixed assets, in the form of acquired intangible assets and tangible fixed assets of the subsidiary in Scotland and in form of the Parent Company's shares in the subsidiary. The carrying amount depends on the future market for the Company's products performing as expected. The Company's estimate as at 31 December 2014 is that the carrying amount of these items does not exceed the fair value.

## Note 3 Net sales

	Group		Parent company	
	2014	2013	2014	2013
<b>Distribution of net sales by type of revenue</b>				
Sale of goods	1,602	2,455	-	-
Rendering of services	-	92	6,033	4,776
	<b>1,602</b>	<b>2,547</b>	<b>6,033</b>	<b>4,776</b>
<b>Distribution of net sales by geographic market</b>				
Sweden	-	930	6,033	4,776
Europe	425	414	-	-
Rest of the world	1,177	1,203	-	-
	<b>1,602</b>	<b>2,547</b>	<b>6,033</b>	<b>4,776</b>

## Note 4 Parent Company purchases and sales from/to subsidiaries

	Parent company	
	2014	2013
Part of sales related to Group companies	100%	100%
Part of purchases related to Group companies	0%	0%

## Note 5 Grants received

	Group	
	2014	2013
Grants received Vinnova Forska & Väx	-	1,068
Grants received Eurostars	-	836
Grants received 7th Framework Programme Clean Sky	-	617
Grants received PO-CROSS/Hictac	95	-
Grants allocated to 2013	-	520
Grants allocated to 2014	306	-306
	<b>401</b>	<b>2,735</b>

Government assistance as above, included in other operating income, has been received for developing crosslinkers for various polymers.

## Note 6 Auditors' fees

	Group		Parent company	
	2014	2013	2014	2013
<i>Öhrlings PwC, Sweden</i>				
Audit engagement	419	156	273	50
Audit-related services	66	27	33	-
Auditing activities in addition to the tasks of the audit engagement	15	37	15	-
Tax advice	-	-	-	-
Other services	212	-	62	-
	<b>712</b>	<b>220</b>	<b>383</b>	<b>50</b>
<i>PwC in the UK</i>				
Audit engagement	104	99	-	-
Other services	-	-	-	-
	<b>104</b>	<b>99</b>	-	-

## Note 7 Related party transactions

Transactions as well as liabilities and receivables between Group companies are disclosed in separate notes. Nexam Chemical Holding AB has during the year used Minang AB for management related consultations. The parent company has during the year reimbursed Lennart Holm and Michael Karlsson for expenses incurred in connection with their board work.

Cecilia Jinert Johansson owns Minang AB, Lennart Holm owns Lennart Holm Development AB and Michael Karlsson is a partner at Mannheimer & Swartling Advokatbyrå (MSA). All of them are members on the board of directors of Nexam Chemical and are also shareholders in Nexam Chemical Holding AB. Lennart Holm and Michael Karlsson are also two of the major shareholders. During 2014 Minang AB has invoiced the Group SEK 249 thousand (-), Lennart Holm Development AB SEK 17 thousand (SEK 100 thousand) and MSA SEK 6 thousand (SEK 100 thousand).

## Note 8 Personnel

	Group		Parent company	
	2014	2013	2014	2013
Average number of employees *				
Average number of employees	23	22	2	2
of whom women	5	5	-	-

\*) The average number of employees is based on the number of hours present paid by the Company, in relation to normal working hours.

### Average number of employees per country

	Scotland		Sweden	
	2014	2013	2014	2013
Average number of employees	8	9	15	13
of whom women	2	3	3	2

### Wages, salaries, compensation etc

Wages, salaries, compensation, social security contributions and pension costs have been paid in the following amounts:

	Group		Parent company	
	2014	2013	2014	2013
<b>Board of Directors and CEO:</b>				
Wages, salaries and compensation	1,753	2,385	1,753	1,454
Pension costs	215	234	215	144
	<b>1,968</b>	<b>2,619</b>	<b>1,968</b>	<b>1,598</b>
<b>Other employees:</b>				
Wages, salaries and compensation	8,203	6,602	-	-
Pension costs	777	612	-	-
	<b>8,980</b>	<b>7,214</b>	-	-
<b>Social security contributions</b>				
	2,482	2,640	528	487
<b>Total Board of Directors and others</b>	<b>13,430</b>	<b>12,473</b>	<b>2,496</b>	<b>2,085</b>

### Group 2014

	Directors' fee	Salary	Other compensation and benefits	Social security contributions (of which pension costs)
<i>Chairman of the Board</i>				
Lennart Holm	150	-	17	47
<i>Other board members</i>				
Daniel Röme	-	750	25	342
				(98)
Michael Karlsson	85	-	6	24
Cecilia Jinert Johansson	75	-	249	24
<i>CEO</i>				
Per Morin	-	923	48	422
				(117)
<b>Total</b>	<b>310</b>	<b>1,673</b>	<b>345</b>	<b>859</b>

	Directors' fee	Salary	Other compensation and benefits	Social security contributions (of which pension costs)
<b>Group 2013</b>				
<i>Chairman of the Board</i>				
Lennart Holm	100	-	100	31
<i>Other board members:</i>				
Daniel Röme	-	709	22	320
				(91)
Michael Karlsson	40	-	100	-
<i>CEO</i>				
Per Morin	-	861	47	393
				(108)
<b>Total</b>	<b>140</b>	<b>1,570</b>	<b>269</b>	<b>744</b>

The amounts in the table include remuneration paid from Nexam Chemical AB for the period 1st January - 31st March 2013.

Compensation for the CEO and other board members with positions in the Company consists of base pay, a company car benefit and a pension. The Company has not set up any bonus programmes yet. Therefore, no bonuses have been paid to the Board of Directors or the CEO in 2014. An occupational pension plan was started for the CEO which is equal to 12 percent of his pensionable salary. This pension provision level applies for all employees of Nexam Chemical and is in line with the national. The period of notice for termination is six months for both the CEO and the Company. In the event of termination on the part of the Company, the CEO will also receive severance pay equal to nine months, above and beyond the period of notice.

For other board members with positions in the Company, a form of compensation equivalent to the above is applicable with base pay, a company car benefit, if a company car is desired, and pension provisions equal to 12 percent of their pensionable salary. In addition, the period of notice for termination, for both the employee and the Company, is six months. In the event of termination on the part of the Company, the employee will also receive severance pay equal to six months, above and beyond the period of notice. The other members of the Board of Directors will not receive any severance pay.

### Gender distribution of the Board of Directors and company management

	Group		Parent company	
	2014	2013	2014	2013
Number of board members	4	4	4	4
of whom women	1	-	1	-

## Note 9 Interest expenses and similar items

	Group		Parent company	
	2014	2013	2014	2013
Interest expenses	-270	-239	-	-2
Exchange losses	-	-35	-	-
	<b>-270</b>	<b>-274</b>	<b>-</b>	<b>-2</b>

## Not 10 Reconciliation of tax expenses

	Group		Parent Company	
	2014	2013	2014	2013
Tax rate during the year	22.0%	21.6%	22.0%	22.0%
Profit/loss before average	-35,053	-26,513	-2,136	15
<b>Tax calculated at the tax rate</b>	<b>7,712</b>	<b>5,727</b>	<b>470</b>	<b>-3</b>
<b>Tax effect of:</b>				
Other non-deductible	-29	-92	-3	-2
Adjustment taxes previous years	138	-	-	-
Effect of different tax rates	-	-20	-	-
Impairment of deferred tax assets	-7,821	-5,620	-468	-
<b>Recognised tax expenses</b>	<b>1</b>	<b>-5</b>	<b>1</b>	<b>-5</b>

### Change in deferred tax assets

	Group		Parent Company	
	2014	2013	2014	2013
<b>Opening accumulated cost</b>	<b>15,600</b>	<b>10,045</b>	<b>-</b>	<b>-</b>
Change in income statement	7,821	5,620	468	-
Tax effect of translation difference recognised in equity*	-83	-110	-	-
Tax effect of share issue	618	-	617	-
Translation difference	237	45	-	-
<b>Cost at the end of the year</b>	<b>24,194</b>	<b>15,600</b>	<b>1,085</b>	<b>-</b>
<b>Opening accumulated impairment</b>	<b>-15,600</b>	<b>-10,045</b>	<b>-</b>	<b>-</b>
Change in income statement	-7,821	-5,620	-468	-
Tax effect of translation difference recognised in equity*	83	110	-	-
Tax effect of share issue	-618	-	-617	-
Translation difference	-237	-45	-	-
<b>Accumulated impairment at the end of the year</b>	<b>-24,194</b>	<b>-15,600</b>	<b>-1,085</b>	<b>-</b>

### Book value

\* Tax effect of the Parent Company's foreign exchange earnings on subsidiary -receivables, which was transferred directly to equity in the Group.

### Temporary differences

The total net deferred tax on the balance sheet after accumulated impairment of deferred tax assets is zero and is distributed according to the following items:

*This note continues on the next page.*

## Not 10 Reconciliation of tax expenses, cont'd

	Group				Parent Company			
	2014		2013		2014		2013	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Plant and machinery	-	-627	-	-1,081	-	-	-	-
Equipment, tools, fixtures and fittings	-	-298	-	-367	-	-	-	-
Other non-current receivables	65	-	125	-	-	-	-	-
Inventories	53	-	44	-	-	-	-	-
Prepaid expenses	61	-	70	-	-	-	-	-
Debt for finance lease	753	-	978	-	-	-	-	-
Tax loss carryforwards Sweden	22,095	-	14,044	-	1,085	-	-	-
Tax loss carryforwards UK	2,092	-	1,787	-	-	-	-	-
Total	25,119	-925	17,048	-1,448	1,085	-	-	-
Set-off	-925	925	-1,448	1,448	-	-	-	-
Total deferred tax assets/liabilities	24,194	-	15,600	-	1,085	-	-	-
Valuation allowance for deferred tax assets	-24,194	-	-15,600	-	-1,085	-	-	-
Total deferred tax assets/liabilities	-	-	-	-	-	-	-	-



## Note 11 Acquired technology

	Group	
	2014	2013
Opening accumulated cost	4,236	3,404
Acquisition for the year	44	832
Write-down for the year	-1,369	-
Closing accumulated cost	2,911	4,236
Opening accumulated amortisation	-664	-452
Amortisation for the year	-204	-212
Write-down	157	-
Closing accumulated amortisation	-711	-664
Closing carrying amount	2,200	3,572

## Note 12 Land and building

	Group	
	2014	2013
Opening accumulated cost	3,766	3,681
Translation difference	493	85
Closing accumulated cost	4,259	3,766
Opening accumulated depreciation	-151	-74
Depreciation for the year	-79	-75
Translation difference	-26	-2
Closing accumulated depreciation	-256	-151
Closing carrying amount	4,003	3,615

## Note 13 Plant and machinery

	Group	
	2014	2013
Opening accumulated cost	11,365	6,502
Acquisition for the year	1,492	4,822
Translation difference	314	41
Closing accumulated cost	13,171	11,365
Opening accumulated depreciation	-4,793	-2,971
Depreciation for the year	-2,038	-1,819
Translation difference	-66	-3
Closing accumulated depreciation	-6,897	-4,793
Closing carrying amount	6,274	6,572

## Note 14 Equipment, tools, fixtures and fittings

	Group	
	2014	2013
Opening accumulated cost	2,452	1,363
Acquisition for the year	453	1,153
Sales/disposals for the year	-801	-64
Closing accumulated cost	2,104	2,452
Opening accumulated depreciation	-705	-424
Depreciation for the year	-417	-345
Sales/disposals for the year	402	64
Closing accumulated depreciation	-720	-705
Closing carrying amount	1,384	1,747

## Note 15 Cost of leasehold improvements

	Group	
	2014	2013
Opening accumulated cost	572	122
Acquisition for the year	669	450
Closing accumulated cost	1,241	572
Opening accumulated depreciation	-139	-20
Depreciation for the year	-198	-119
Translation difference	-1	-
Closing accumulated depreciation	-338	-139
Closing carrying amount	903	433

## Note 16 Shares in Group companies

	Parent company	
	2014	2013
Opening accumulated cost	243,990	–
Acquisition for the year	–	243,990
Closing accumulated cost	243,990	243,990
<b>Carrying amount</b>	<b>243,990</b>	<b>243,990</b>

Direct ownership of Group companies	Corporate ID no.	Registered office	Number of votes and capital 31/12/2014
Nexam Chemical AB	556784-6711	Lund, Sweden	100%
			100%

### Share capital disclosure

	Number of shares	Quote value per share
Number/quote value of shares at the beginning of the year	248,969	980
Number/quote value of shares at the end of the year	248,969	980

Direct ownership of Group companies	Corporate ID no.	Registered office	Number of votes and capital 31/12/2014
Nexam St Andrews Ltd	SC410830	Cupar, Scotland	100%
			100%

### Share capital disclosure

	Number of shares	Quote value per share
Number/quote value of shares at the beginning of the year	150,000	11
Number/quote value of shares at the end of the year	1,296,243	12

## Note 17 Other non-current receivables

	Group	
	2014	2013
<i>Type of receivables</i>		
Deposits made	5	5
	5	5
Opening accumulated cost	5	5
Closing accumulated cost	5	5
<b>Closing carrying amount</b>	<b>5</b>	<b>5</b>

## Note 18 Prepaid expenses and accrued income

	Group		Parent company	
	2014	2013	2014	2013
Prepaid rent	443	174	-	-
Prepaid insurance	30	53	-	26
Prepaid lease fees	31	26	-	-
Accrued interest	350	-	361	-
Prepayment supplier	365	-	-	-
Other items	111	88	-	-
	1,330	341	361	26

## Note 19 Equity

### Group

	Share capital	Other paid-up capital	Accumulated translation difference	Other equity incl. profit/loss for the year	Total equity
Equity, 1/1/2014	938	114,865	438	-72,719	43,522
New share issue – cash	58	67,442	-	-	67,500
Issuing costs	-	-2,811	-	-	-2,811
Translation difference for the year	-	-	645	-	645
Net profit/loss for the year	-	-	-	-35,052	-35,052
Closing balance 31/12/2014	996	179,496	1,083	-107,771	73,804

### Parent Company

	Share capital	Share premium reserve	Retained earnings	Profit/loss for the year	Total equity
Equity, 1/1/2014	938	243,102	-	10	244,050
New share issue – cash	58	67,442	-	-	67,500
Issuing costs	-	-2,811	-	-	-2,811
Disposition according to AGM	-	-	10	-10	-
Profit/loss for the year	-	-	-	-2,135	-2,135
Equity, 31/12/2014	996	307,733	10	-2,135	306,604

This note continues on the next page.

## Note 19 Equity, cont'd

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 for one warrant in Nexam Chemical AB.

Nexam Chemical has entered into an agreement with the warrant holders concerning a right for Nexam Chemical to acquire any subscribed shares in the subsidiary in exchange for payment in the form of 182,5034 newly issued shares in Nexam Chemical for each newly issued share in the subsidiary. If all share warrants are used

to subscribe for shares in the subsidiary, Nexam Chemical will issue a total of 1,328,625 shares as payment. The newly issued shares would be equal to approximately 2.65% of the share capital given the current number of outstanding shares.

The incentive program 2014/2017 were launched in October 2014 and 1,083,849 warrants were subscribed, free of charge, by the subsidiary Nexam Chemical AB. The warrants are to be transferred to management and key personnel of the Company. In January 2015, management and key personnel signed a total of 700,000 warrants at market value.

Allotment date	Earliest redemption date	Final due date	Redemption price	Outstanding warrants 1/1	Issued in 2014	Outstanding warrants 31/12
09-12-11	16-09-15	16-12-15	1 000,00	2 040	-	2 040
10-12-20	17-09-15	17-12-15	1 000,00	2 300	-	2 300
12-11-01	18-10-01	18-12-31	2 000,00	2 940	-	2 940
14-10-31	17-09-25	17-10-09	35,20	-	1 083 849	1 083 849
				<b>7 280</b>	<b>1 083 849</b>	<b>1 091 129</b>

## Note 20 Share capital disclosures

	Number of shares	Quote value (SEK)
Number/quote value of shares at the beginning of the year	48,780,000	0.02
Number/quote value of shares at the end of the year	51,780,000	0.02

## Note 21 Liabilities to credit institutions

	Group	
	2014	2013
Repayment within 1 year	162	185
Current liabilities	162	185
Repayment in 2 to 5 years	732	667
Repayment later than 5 years	1,133	1,023
Non-current liabilities	1,865	1,690
<b>Total liabilities to credit institutions</b>	<b>2,027</b>	<b>1,875</b>

## Note 22 Significant limitations on the Scottish subsidiary's ability to transfer funds to the Parent Company

In a loan agreement between the Nexam St Andrews Ltd and an external lender, Nexam Chemical Holding AB has undertaken to refrain from taking any dividends from the subsidiary without written consent from the lender. Nexam Chemical Holding AB has also signed a surety ship in connection with the signing the loan agreement.

The loan from the external lender totalled GBP 167 thousand (SEK 2 027 thousand) on the balance sheet date.

The cash and cash equivalents of Nexam St. Andrews were valued at GBP 154 thousand (SEK 1 874 thousand) on the balance sheet date.

## Note 23 Finance lease obligations

Finance leases recognised as fixed assets are included in the -consolidated balance sheet at the following amounts:

	2014	2013
Plant and machinery	2,835	4,080
Equipment, tools, fixtures and fittings	1,354	1,668
	4,189	5,748

The due dates for lease fees and their estimated present values are:

2014	Lease fee incl. redemption price	where of amortisation	whereof interest
Within one year		1,462	105
Later than one year, but within five years	2,029	1,962	67
Later than five years		-	-
		3,424	172

2013	Lease fee incl. redemption price	where of amortisation	whereof interest
Within one year	1,255	1,102	152
Later than one year, but within five years	3,507	3,344	163
Later than five years	-	-	-
	4,762	4,446	315

## Note 24 Accrued expenses and deferred income

	Group		Parent company	
	2014	2013	2014	2013
Accrued holiday pay incl. social security contributions	577	550	118	97
Audit fee	240	90	75	50
Legal fees	25	28	25	-
Accrued Directors' fees	246	-	246	-
Estimated accrued payroll tax on pension costs	275	200	91	35
Other items	1,091	736	875	69
	2,454	1,604	1,430	251

## Note 25 Pledged assets

	Group	
	2014	2013
<b>For liabilities to credit institutions</b>		
Property mortgages	2,027	1,875
<b>For finance lease obligations</b>		
Assets subject to retention of title	4,189	5,748
	6,216	7,623

## Note 26 Finance leases in cash flow

New finance leases were signed during the year with a total cost for tangible fixed assets of SEK 454 thousand. The amount did not have any impact on the Group's cash flow and has therefore been offset in cash flow in relation to the balance sheet reported. No initial higher lease fee has been paid during the year.

## Note 27 Business combinations

Nexam Chemical Holding AB's formal acquisition of Nexam Chemical AB in 2013 was completed via a non-cash issue of 248,969 shares in Nexam Chemical AB. As payment for these shares, Nexam Chemical Holding AB issued 46,180,000 shares to the shareholders of Nexam Chemical AB. The newly issued shares are equal to 94.7% of the total number of shares and votes in Nexam Chemical Holding AB.

The non-cash consideration in the Parent Company was valued at SEK 243,990 thousand (SEK 980 per share), based on the Board of Directors' knowledge of the subsidiary Nexam Chemical AB's future earning power and the fact that Nexam Chemical held a new share issue in January 2013 where Nexam Chemical brought in SEK 53.9 million. This was done at an issue price that indicated a value for Nexam Chemical after the new share issue of approximately SEK 243,990 thousand. The new share issue was subscribed entirely by external investors who were not shareholders of Nexam Chemical before the new share issue.

	Group
	2013
The issue value (estimated fair value of existing 2,600,000 shares as of 20 March 2013 in Nexam Chemical Holding AB, at a current market price of SEK 5.28)	13,787
Issuing costs	-13,687
Acquired net assets in Nexam Chemical Holding AB	50*

\*) Net impact on Group equity

## Note 28 Cash and cash equivalents

The cash and cash equivalents in the balance sheet and the cash flow statement include:

	Group		Parent company	
	2014	2013	2014	2013
Balances with banks and other credit institutions	62,543	32,511	22,462	1,314
Total cash and cash equivalents	62,543	32,511	22,462	1,314

## Note 30 Obligations for operating leases

Nexam Chemical AB signed a lease for a laboratory and office at Medicon Village, Scheelevägen 2, Lund in February 2012. The lease expires on 28 February 2015, but can also be terminated by either party with a six-month period of notice. This lease does not have automatic extension. In connection with relocation to new offices at Scheelevägen 19, a number of offices was terminated, which has reduced the rent. With the rent in January 2015 at SEK 52,295 per month and a six-month commitment period for the lease, SEK 313,770 is to be considered a short-term obligation.

Nexam Chemical AB signed a lease for a plastics laboratory at Ideon Science Park, Sölvegatan 41, Lund in April 2012. This lease has a one-year term and may be terminated with a six-month period of notice before the expiration of the lease term. If the lease is not terminated, it is extended for one year at a time. Nexam Chemical has not terminated the lease during the year, which means that the current lease is valid until 31 March 2016. The rent in January 2015 was SEK 19,858 per quarter and the commitment period was lasting until 31 March 2016, leading to SEK 79,432 in short-term obligations and SEK 19,858 in long-term obligations.

Nexam Chemical AB signed another lease for an extension of the -plastics laboratory at Ideon Science Park, Sölvegatan 41, Lund. This lease has a three-year term and may be terminated with a -six-month period of notice before the expiration of the lease term. If the lease is not terminated, it is extended for one year at a time. The current lease is valid until 31 January 2016. With the rent in January 2015 at SEK 87,755 per quarter and the commitment period until 31 January 2016, Nexam Chemical ends up with SEK 351,020 in short-term obligations and SEK 29,252 in long-term obligations.

## Note 29 Environmental obligation and restoration expenses

Nexam Chemical's financial reporting is based on the assumption that the Group can continue its business as a going concern, which is also reflected in how potential environmental liabilities are assessed. The Group complies with official decisions and takes measures both pro-actively to prevent environmental impact and reactively in the event of environmental damage. The Group has no known material environmental liabilities or events likely to create environmental liabilities in the near term.

On the going concern assumption, any restoration expenses, with discounting to the present value, are estimated to be immaterial, which is why they are not disclosed separately.

In August 2014, Nexam Chemical AB signed a lease for offices at Ideon Park, Scheelevägen 19 in Lund. This lease has a three-year term and may be terminated with nine month period of notice before the expiration of the lease term. If the lease is not terminated, it is extended for one year at a time. The current lease is valid until 31 August 2017. With the rent in January 2015 at SEK 241,257 per quarter and the commitment period until 31 August 2017, Nexam Chemical ends up with SEK 965,028 in short-term obligations and SEK 1,608,380 in long-term obligations.

Nexam Chemical AB has also signed a lease for a store at Scheelevägen 23 in Lund. The lease has a one year term and may be terminated with six months notice by both parties. The current lease is valid for the period 1 January – 31 December 2015. The lease is SEK 4,500 per quarter and ends up as SEK 18,000 in short-term obligations.

Upon its acquisition of the assets and liabilities of St Andrews Chemtech Ltd's facility, Nexam St. Andrews Ltd entered into a lease for the land that the Group's building is located on. The lease has a remaining lease period of 75 years. The annual cost of the lease in Scotland is currently £10,500 per year and is adjusted every fifth year with indexation. The lease specifies 2090 as the expiration date.

Nexam Chemical's future obligation for leases that cannot be terminated is divided up into due dates according to the following. (The amounts refer to nominal amounts based on the amount of the rent on the balance sheet date.)

The Group distinguishes between operating leases and finance leases.

## Note 30 Obligations for operating leases, cont'd

Group	2014	2013
Lease fees for operating leases during the year totalled	2,017	1,643
	2,017	1,643

Group	2014	2013
Future lease fees for leases that cannot be terminated fall due for payment in accordance with the following:		
Within one year	1,855	945
Later than one year, but within five years	2,167	842
Later than five years	9,049	8,001
	13,071	9,788

## Note 31 Definition of financial ratios

### Equity/asset ratio

Adjusted equity as a percentage of total assets.

### Equity per share

Equity/number of shares at the end of the period.

### Earnings per share

K3 has not issued any recommendations for calculating earnings per share, which is why guidance has been sought from IAS 33. The estimated market value of shares when calculating diluted earnings per share is based on the average share price for the year. This value exceeds the redemption price for the first 7,280 warrants.

### Adjusted equity

Equity + untaxed reserves less deferred tax.

### Return on equity

Profit/loss after financial items as a percentage of average adjusted equity.

### Return on total assets

Operating profit/loss plus interest income as a percentage of average total assets.

### Quick ratio

Current assets excluding inventories as a percentage of current liabilities.

Lund 20 April 2015

Anders Spetz  
CEO

Lennart Holm  
Chairman

Daniel Röme

Michael Karlsson

Cecilia Jinert Johansson

Our auditor's report has been submitted on 20 April 2015  
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors  
Authorized Public Accountant



# Board of Directors

## Lennart Holm, Chairman of the board

**Born:** 1960

**Education:** M. Sc. Chemical Engineering, Chalmers University of Technology, Gothenburg.

**Main occupation:** Entrepreneur.

**Other current positions:** Chairman of the board of Vigmed AB, Vigmed Holding AB, ChamberTech AB, Chamber Bygg AB, VIDA AB, BillerudKorsnäs AB and Hamnkrogen i Hbg Holding AB. Member of the board of Lennart Holm Development AB, Hempel A/S (Danmark), Preventic Försäkring AB, SOS Barnbyar Sverige, BioMass C Holding AB och Polygiene AB (deputy member).

**Prior board positions:** Perstorp Holding AB, Chr Hansen A/S, Industrifonden, SI Technology AB, Yellow Bridge Management AB, Lahega Kemi AB, NattaRo Labs AB, Vatus Medical AB, Financiere Foret Ett AB, Financiere Foret Två AB, Financiere Foret Trois AB, UGI partners AB and Perstorp BioProducts AB.

**Shareholding:** 2,091,596

**Warrants held:** 0



## Michael Karlsson, Member of the board

**Born:** 1955

**Education:** Jur Kand. (Master of Laws) Lawyer.

**Main occupation:** Partner, Mannheimer Swartling Advokatbyrå AB.

**Other current positions:** Chairman of the board of SOS Barnbyar Sverige, Lahega Kemi AB, Preventic Försäkring AB, Assistansbolaget Vägassistans i Sverige AB, Retrieve Finans & Inkasso AB and Rohm and Haas Nordiska AB. Member of the board of Hamnkrogen i Helsingborg Holding AB, Vasatorps Golf AB, Vasatorpsgolfklubb (non-profit association), Brunkeberg Systems AB, SOS Kinderdorf International, and SOS International Leadership Selection Committee.

**Prior board positions:** Cassis Vacation AB, Rohm and Haas Electronic Materials AB, Aktiebolaget Carl Gram Fastighets AB, Tornet Fastighets AB Gumsbacken 1 and Galloper Autoimport AB.

**Shareholding:** 1,259,421

**Warrants held:** 0



## Cecilia Jinert Johansson, Member of the board

**Born:** 1963

**Education:** B.Sc. Business Administration and Economics, Lund University.

**Main occupation:** Self-employed, consultant.

**Other current positions:** Chairman of the board of Neco Norden AB. Member of the board of Minang AB.

**Prior board positions:** Chairman of the Board of Directors of Åhus Foder, Megadoor AB, Crawford Production AB, Moteco Beijing, Moteco Singapore and Moteco Malaysia.

**Shareholding:** 7,000

**Warrants held:** 0



## Daniel Röme, Member of the board

**Born:** 1976

**Education:** M.Sc. Chemical Engineering, PhD Organic Synthesis.

**Main occupation:** Self-employed, consultant.

**Other current positions:** Chairman of the board of Rome Consulting AB and AB Nordisk Ytteknik. Member of the board of Daniel Röme Investment AB.

**Prior board positions:** Member of the board of Bostadsrättsföreningen Maria Stenbock.

**Shareholding:** 1,500,237

**Warrants held:** 0



# Management



## Anders Spetz

**Born:** 1969  
CEO since 2015. M.Sc. Chemical Engineering. Previous positions includes CCO at Sanitec and MD in the Trioplast Group. He also has experience from Akzo Nobel and Neste Chemical.

**Shareholding:** 20,000  
**Warrants held:** 160,000



## Erik Lager

**Born:** 1975  
COO since 2015 (employee since 2009). M.Sc. Chemical Engineering, PhD Organic Synthesis and Post Doc. Metal Organic Catalysis. Past experiences includes Process Optimization & Development Manager and Senior Scientist at Bayer Schering Pharma.

**Shareholding:** 0  
**Warrants held:** 408,393 (whereof 298,393 are equivalent to the 1,635 warrants held in the subsidiary Nexam Chemical AB).



## Dane Momcilovic

**Born:** 1976  
R&D and EHSQ Director since 2013 (employee since 2010). M.Sc. Chemical Engineering and PhD Technical Analytical Chemistry. Past experience includes Assistant Professor & Scientist at KTH and Researcher at Astra Zeneca.

**Shareholding:** 0  
**Warrants held:** 387,185 (whereof 267,185 are equivalent to the 1,464 warrants held in the subsidiary Nexam Chemical AB).



## Christian Svensson

**Born:** 1971  
Interim CFO since August 2014. Employed CFO since March 2015. B.Sc Business and Administration. Since 2008 self-employed with focus on interim assignments within finance. Past experience includes CFO at NeuroVive Pharmaceuticals AB (publ), Capilon AB (publ) and several positions within public and non-public companies. Prior to the above, Christian held a number of management positions within the Gambro Group.

**Shareholding:** 12,000  
**Warrants held:** 0

## Auditor

Öhrlings PricewaterhouseCoopers AB is the auditor of Nexam and its subsidiaries. Authorized Public Accountant Magnus Willfors (born:1963) is the auditor-in-charge.

**Shareholding:** 0  
**Warrants held:** 0

# Auditor's report

To the annual meeting of the shareholders of Nexam Chemical Holding AB (publ), corporate identity number 556919-9432

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Nexam Chemical Holding AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 30-54.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nexam Chemical Holding AB (publ) for the year 2014.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Malmö 20 April 2015

Öhrlings PricewaterhouseCoopers AB

Magnus Willfors  
Authorized Public Accountant

# Nexam Chemical's school of plastics

## Polyethylene

**On 27 March 1933, two organic chemists, R.O. Gibson and E.W. Fawcett, were engaged in testing chemicals for manufacturing plastic at the Imperial Chemical Industries Research Laboratory (ICI) in England. Little did Gibson and Fawcett realise that the waxy substance they had managed to produce and test would revolutionise and change the world. Polyethylene had been born!**

The first patents for polyethylene were registered in 1936 by ICI. The next year saw the first practical use of the material in the form of plastic film for various types of insulation. Shortly thereafter, the material was also used as a coating for underwater cables, cable insulation, and an insulating material in the then newly developed radar technology. This would play an important role in deciding the Second World War.

### WHAT IS POLYETHYLENE AND HOW IT IS MADE?

Polyethylene is produced (polymerised) from ethylene (a gas obtained during cracking of crude oil) at high pressure using various catalysts. Low molecular weight polymers of ethylene are fluids used mainly as lubricants (synthetic oils). Medium weight polymers form different types of waxes that are used for coatings etc., while the high molecular weight polymers are the materials used in the plastics industry.

Various grades of polyethylene plastic are obtained depending on how high the pressure is, the temperature and the type of catalyst used. Examples are high density polyethylene (HDPE), low density polyethylene (LDPE) and linear low density polyethylene (LLDPE). The plastic is granulated straight after the manufacturing process. The granules produced are then either a finished raw material that can be used immediately to produce coatings or thin film, or they can be processed by adding further chemicals before being eventually shaped into a finished product.

### USE AND PROPERTIES OF POLYETHYLENE

The benefits of polyethylene include excellent barrier properties against moisture and vapour and very good chemical and electrical resistance. Polyethylene is used for containers, cable insulation, pipes, coatings and protective and sealing films, as well as toys, plastic bags and much, much more. The main drawback with polyethylene is its poor mechanical strength. The material is quite soft and cold flows (creeps) under stress. This can be improved by different types of reinforcement.

## Polyimides

**The first patent applications involving polyimides were filed in 1959 and 1960 in the US and Europe. A few years later, in 1964–65, DuPont applied for a patent for what at the time was a new material it had developed, Kapton, Vespel and Pyre-ML. These are materials that are currently used in areas such as insulation films in electronics, electrical insulators that could withstand high temperatures and coating for conductors (in power cords, electric motors etc.).**

For those who were sceptical about the deficient properties of thermoplastics in the 1950s and 60s, products made out of polyimide materials were a surprise. The polyimide material had great heat resistance (thermal stability) in a way that previously was unknown for a polymer.

### USE AND PROPERTIES OF POLYIMIDES

Polyimide plastics are lightweight, flexible, resistant to heat and chemicals. One application area that illustrates the material's properties is flexible cables (an insulating film on a copper conductor), which are used in applications such as laptops. This is the cable that connects the logic board to the display (and must flex each time the laptop is opened or closed). Polyimides are also used in the semiconductor industry as high-temperature adhesive, photoresist for producing both printed circuit boards and computer processors, as well as insulation film between the conducting layers of computer processors. The combination of very good resistance towards heat, chemicals, UV etc. are necessary properties for it to function.

Hot pressing (sintering) was often used to process the early developed polyimides into components. Because of their high mechanical stability even at elevated temperatures, they are used in components such as bushings, bearings, sockets and construction parts in demanding applications, sometimes with integrated lubricants. Polyetherimide is a form of polyimide that is easier to process and can also be injection-moulded, spun or extruded into finished components.

The material's properties are also illustrated by use in areas such as dust separation in fumes from boilers and incinerators. Polyimide is also the most common material used for membranes for osmotic filtration during water purification. One interesting anecdote is that the IKAROS spacecraft launched by JAXA in 2012 uses a "solar sail" made out of KAPTON instead of rocket engines for a continuous thrust in its journey into outer space. IKAROS was however launched in the traditional way and the "solar sail" was not deployed until it was above the atmosphere.

## Nylon

**If wood is the world's most diverse natural material, nylon is probably the most useful synthetic material. Nylon is a plastic that can be shaped into every-day products, pulled into fibres to make fabrics or used in advanced composite structures.**

The first products made with this diverse plastic were toothbrushes and stockings. Nylon is now used in everything from tennis rackets and parachutes to car parts, fibres, pipes and numerous different appliances and machines. It's almost easier to name what nylon isn't used in.

### WHAT IS NYLON?

Nylon is a plastic (polymer) that is made of and consists of short, recurring groups of atoms (molecules). Nylon is not one single substance. It is in fact the name of a whole family of similar materials all called polyamides.

### PRODUCTION OF NYLON

As opposed to traditional materials such as wood, iron, wool and cotton, nylon does not exist in nature, so the plastic must be manufactured from chemicals in chemical plants. One of the most common nylon plastics is produced by getting two different molecules to react with one another at moderate heat (approx. 285 °C) under pressure in a reaction vessel. One of the two molecules is hexane-1,6-dicarboxylic acid (also referred to as adipic acid) and the second is 1,6-diaminohexane (also referred to as hexamethylenediamine). When combined, they merge to form a larger molecule at the same time as water is given off in a chemical reaction called a condensation polymerisation reaction (condensation because the water is eliminated, polymerisation because it occurs several times until it becomes one single large molecule). Other nylon variations are created by varying the different starting molecules.

### NYLON PROPERTIES

Nylon is generally a silky thermoplastic that melts and becomes liquid when it is heated (generally at approximately 260°C). Its distinguishing characteristics are that it is strong and durable. Since nylon is a synthetic polymer, it has very strong resistance to attacks from naturally occurring bacteria, fungi etc. Nylon is waterproof and dries quickly because water molecules cannot penetrate through its outer surface (as opposed to natural materials such as cotton or wool). In addition, nylon also has some resistance to other chemicals.

## PET

**Polyethylene terephthalate, or PET as it is commonly referred to, is one of the largest bulk plastics in the world and is perhaps most famous for its use as a glass replacement in different types of bottles and containers, especially in the food industry.**

As is the case for many other polymers, the story of PET started in England as well, where the first patents for producing the polymer were submitted by John Whinfield and James Dickson in 1941 together with their employer, the Calico Printer's Association in Manchester. The first development conducted in a polyester fibre called Terylene for use in textiles. That was followed by the development of several different types of polyester fibres, but also film, for coating and strengthening. For example, DuPont in Nemours, Delaware, USA, launched a product named Mylar in June 1951, which turned out to be a crucial product in NASA's lunar landing project. After over 60 years, it is still one of the most well-known polyester film products on the market.

Other developments and patents that are noteworthy include the one for PET bottles submitted by Nathaniel Wyeth in 1973. Continuing development has also enabled production of PET foam as a core material in sandwich designs for primary use in the boat and public transport industry (hulls and load-bearing floors) and the wind power industry (blades).

### PRODUCTION AND PROPERTIES OF PET

PET, and its sister molecule PBT (polybutylene terephthalate), are produced by heating up (boiling) terephthalic acid and ethylene glycol (or butylene glycol) while water is being discharged. The properties of the melted polymer make it especially suitable for fibre spinning, production of laminates and bottles. The material is very mouldable and its main fields of application are packaging for industries such as the food industry, where, for example, the polymer's good barrier properties come in handy. Many of the plastic-packaged groceries we buy in grocery stores today are packed in packaging containing PET.

PBT is also a polymer that is primarily used as a design plastics, often fibre-reinforced in sectors such as the electricity sector (because of its very good insulation properties, but it is also common in polymer alloys together with other polymers and is used in industries such as the domestic appliances industry and the automotive industry).

# Information on annual general meeting and calendar

## Financial calendar

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

## Annual general meeting

Nexam Chemical's Annual General Meeting will be held on Tuesday 12 May 2015 at 3:00 p.m. in the Auditorium at Medicon Village, Scheelevägen 21, Lund, Sweden. Shareholders wishing to participate in the Annual General Meeting shall be registered in the register of shareholders kept by Euroclear Sweden AB no later than on Wednesday 6 May 2015 and shall submit an application to the Company no later than on Wednesday 6 May 2015.

Applications must be submitted in writing to Nexam Chemical Holding AB (publ), Annual General Meeting, Scheelevägen 19, SE-223 81 LUND, Sweden. Applications can also be made by phone +46 76 108 18 00, or via e-mail to [info@nexamchemical.com](mailto:info@nexamchemical.com). In order to be entitled to participate in the proceedings at the meeting, shareholders that have had their shares registered with a nominee must temporarily register their shares in their own name well in advance of Wednesday 6 May 2015.





Nexam Chemical Holding AB (publ)  
Scheelevägen 19  
SE-223 63 Lund, Sweden  
Phone: +46 703-47 97 00  
[www.nexamchemical.com](http://www.nexamchemical.com)