

The Board of Directors and the Managing Director of

**SenseAir AB**  
556475-5519

Submit the following

# Annual Report

2015-01-01 – 2015-12-31

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## **Administration Report**

The Board of Directors and the Managing Director of SenseAir AB, 556475-5519 presents the following annual report for 2015. The company is applying calendar year as its fiscal year. All amounts are in kSEK if otherwise is not specifically stated.

### **General information about the business**

SenseAir is performing research and development as well as production in the area of infra-red gas measurements. The headquarters as well as production is located in Delsbo, Sweden.

Over the years the company has developed a world leading technology. SenseAir is selling gas sensors mainly for measurement of carbon dioxide. However, the company also produces sensors for alarm applications as well as applications for some bio-related processes where carbon dioxide is an important parameter. Sensors are produced both for high-and low volume applications. SenseAir is holding a big market share in the heating ventilation control segment, where the sensors are lowering the energy consumption and bring an improved indoor air quality. SenseAir is exporting about 90% of produced sensors to other countries in Europe, Asia and North America.

SenseAir's vision is to make a difference in people's lives through world leading gas sensing technology, aiming for a safer, healthier and more sustainable environment.

### **Group**

The group consists of the parent company SenseAir AB (publ) and the fully owned subsidiaries SenseAir North America Inc., based in Portland Oregon, USA and SenseAir Chengdu Gas Sensors Co.,Ltd in Chengdu, China. The subsidiaries business is mainly sales of the products produced in Delsbo, Sweden.

### **Parent company**

The parent company SenseAir AB (publ) is a public company listed at Alternativa aktiemarknaden. The ownership of the company is concentrated to a few individuals/ companies. Listed below are the owners with votes exceeding 10%.

Calectro Holding AB, 29,6%  
Hans Martin, 24,6%  
Arvid Egeland, 15,0%  
Inlandsinnovation AB, 11,3%

During the fiscal year Investa företagskapital AB sold all their shares in SenseAir AB to Inlandsinnovation AB. Inlandsinnovation holds 11,3% of the votes in the company.

### Change of accounting standards

There has been no change in accounting standards during the fiscal year. From the 1<sup>st</sup> of January, 2014 the group is applying BFNAR 2012:1.

### Business development and financial results

#### Group

	2015-12-31	2014-12-31	2013-12-31	2012-12-31
Net sales, KSEK	131 575	113 125	104 860	102 405
R & D expenses, KSEK	32 005	32 157	26 130	21 304
Other operating income, KSEK	19 645	25 106	11 465	14 763
Operating profit, KSEK	11 892	1 645	- 6 072	-2 390
Net profit after tax, KSEK	8 312	-1 867	- 5 882	-2 163
Balance sheet total, KSEK	80 900	66 215	61 827	68 509
Net margin, %	8	neg	neg	neg
Solidity, %	59	60	66	69
Number of employees	94	106	97	93

Net sales for the SenseAir Group reached 131 575 KSEK (113 575 KSEK) during the fiscal year, an increase with 16%.

The increase in net sales for the group comes from an increase in sales of products and the weaker Swedish krona especially towards the US Dollar. We have experienced good demand of our products during the year and sales to Europe, North America and Asia have increased with 19%, 23% and 10% respectively. The Swedish market is at the same level as previous year. Our subsidiaries in Chengdu, China had a turnover of 8 716 KSEK (5 139 KSEK), an increase of 70% and our subsidiary in Portland Oregon, USA had a turnover of 17 207 KSEK (10 506 KSEK), and increase with 64%.

Other external income decreased with 22% and reached 19 645 KSEK (25 106 KSEK). Sales of services and contributions to research and development added up to 13 295 KSEK (18 723 KSEK) and the contributions reached 5 236 KSEK (3 231 KSEK). The total decrease in other external income had a negative impact on the operating profit compared to previous year. See note 3 for more information.

The operating profit for the group totaled 11 892 KSEK (1 645 KSEK).

The net results for the group totaled 8 312 KSEK (-1 867 KSEK).

Results from other securities and receivables accounted for as fixed assets was impacted with a devaluation of -1 992 kSEK in regards to the now reconstructed US based corporation NovalR, previously International Technology Exchange, Inc. After the reconstruction SenseAir own 38,3% of the shares in the NovalR. Due to NovalR's weak financial situation the shares are fully devaluated in SenseAir's balance sheet.

The cash flow for the fiscal year added up to 18 416 kSEK (5 867kSEK). The main reasons for the improvement in cash flow are the financial result and decreased inventories that we have improved by focusing on our business objective program.

### **SenseAir AB**

	<i>2015-12-31</i>	<i>2014-12-31</i>	<i>2013-12-31</i>	<i>2012-12-31</i>	<i>2011-12-31</i>
Net sales, KSEK	123 218	109 798	101 469	100 581	100 269
R & D expenses, KSEK	32 005	32 157	26 130	21 304	17 492
Other operating income, KSEK	19 645	25 081	11 397	14 678	15 099
Net profit after financial items, KSEK	9 334	1 336	-5 748	-2 582	-3 172
Net profit after tax, KSEK	4 216	-2 002	-5 011	-281	-309
Balance sheet total, KSEK	77 510	65 445	62 583	68 695	70 278
Net margin, %	6	neg	neg	neg	neg
Solidity, %	59	61	67	69	71
Number of employees	88	100	90	88	73

In the parent company the net sales totaled 123 218 KSEK (109 798 KSEK), a 12% increase.

The operating income in the parent company totaled 9 334 KSEK (1 336 KSEK).

In addition to what is mentioned above about the group results, it can be added that the parent company during the fiscal year has decreased the number of employees to 88 ( 100). The decrease is due to the layoff that was announced in the first quarter, but also due to a productivity increase in production.

The administration costs added up to -9 437 kSEK (-12 576 kSEK) during the year. The decrease can be explained by lower costs for restructure of our organization than previous year.

The asset investments during the fiscal year totaled 1 313 KSEK and are related to improvements in machinery and tools for current production.

### **Major events during the fiscal year and the time thereafter**

No major events have occurred during the fiscal year or after.

### **Research and development**

SenseAir is continuing the investment in the future by further developing the technology for gas measurement that in the last 20 years has made us the world leader in our niche. Total investment in R&D during the fiscal year was 32 005 kSEK (32 157 kSEK). During the year 58% (68%) was financed by customers and other externals.

Our researchers are working very close to a number of different universities, where we together carry out

analysis, tests and evaluations of technical aspects that are of value for SenseAir and the community as a whole. These co-operations are very important to the company's long term strategy.

After the climate meeting in Paris last year we can see an increased interest in our high precision carbon dioxide technology. As a result from this, we have now started a few projects in the area of measurement of green-house gases of which one is in cooperation with Cambridge University in England. Earlier, in cooperation with another partner, we have developed a technical platform that makes it possible to measure gas with high precision, our high precision platform (HPP). We see a great interest in this technology from different institutions that want to measure green-house gases.

Our partnership with Autoliv, have continued successfully in developing an alcohol sensor for integration in vehicles and the interest for our products from the automotive industry is still high. In addition to the partnership with Autoliv we have also started a project together with another partner in the automotive industry to develop a carbon dioxide sensor for integration in vehicles. We are in a very early stage in the project, but we have great hopes that we will be able to launch a competitive product to this segment in a few years.

During the fiscal year we have concluded the development regarding a product for measurement of carbon dioxide in extreme and harsh environments and we look forward to start deliveries in 2016. We have also during the fiscal year started technology development in regards to a low power carbon dioxide sensor. There is a great interest in this product from our customers and this product will be one of our corner stones in the future.

### **Expected future development, major risks and other factors of uncertainty**

We are very pleased to see that sales are increasing this year with 16%. The product sales to the heating ventilation control segment, as well as to the alarm and life science segment are increasing. We are even more pleased to conclude that it won't stop with this as there are undoubtedly big opportunities for additional growth also in other segments for SenseAir.

The awareness of different environmental and safety issues that the human society is facing is increasing rapidly. The interest for our technology is increasing as the environmental discussions are now higher up on the agenda than ever before. The interest doesn't stop at measurement of carbon dioxide, but include also gases such as alcohol and methane that are not environmental friendly and/or has a negative impact on safety. Our investment in research and development in this area is therefore continuing.

We mean that the automotive industry is one of the most interesting segments when it comes to our future growth and during 2015 we have increased the level of cooperation with partners in this segment. We have worked together with Autoliv for a long time in regards to an integrated alcohol sensor for vehicles. That partnership will continue at the same pace in 2016 as in 2015. We have increased our activities towards the automotive industry during the fiscal year and have started a project around measurement of carbon dioxide in vehicles with a partner. This is a very interesting project and we believe in making this development a commercial product in the future. How fast this business will develop is determined by the

market. We see a great potential to grow out of these two long term partnerships.

We will continue over the next coming years to develop our S8 platform. We will as previously mentioned focus development around a sensor with very low energy consumption, which means that it can run wireless on a battery. Demand for this type of a product is big and we hope to launch a product during next year.

We have worked very hard on stabilizing our processes over the last few years, and we can now see some clear results from that effort. We have the best operating profit in many years and cash flow has been exceeding by far my expectations. Big changes in production are implemented to optimize the flow. Even though big changes are made, we still see great potentials for improvements. Therefore we will continue to focus on the targets and improve profit, growth and tied up capital.

In ongoing business SenseAir is exposed to commercial risks, meaning changes in trade cycles, competition and regulations as well as legal risks as product liability. We have learned over the years though, that SenseAir has not been impacted to a large extent to changes in trade cycles and one of the reason is general increased interest generally in green-house measurements. We are of course exposed to competition and we have seen an increased competition, especially from Asia. Our strategy has always been to offer our customers competence and quality and that is how we position ourselves in the marketplace. The risks are evaluated continuously where corrective actions are identified and implemented.

After 2015 we are stronger both operationally and financially and we now have the stable platform we need to be able to meet the future. We hope and believe in future growth and profitability. The future indeed looks bright for SenseAir.

**25<sup>th</sup> of April**

**Lennart Ivarsson**  
**CEO**

**Proposed appropriations of profits**

Disposable profits at the annual general meeting is:

Accumulated profits brought forward	36 329 365
Net Profit for the year	<u>4 216 315</u>

<b>SEK</b>	<b>40 545 680</b>
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The Board of Director proposes that the profits are brought forward as follows:	<b>40 545 680</b>
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For more detailed information about the financial results, please see the following income statement, Balance sheet and the adherent notes.

### Income Statement -SenseAir Group

Amounts in SEK thousand	Note	2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
Net sales	1	131 575	113 125
Cost for goods sold		<u>-82 521</u>	<u>-78 247</u>
<b>Gross profit</b>		49 054	34 878
Sales expenses		-13 353	-12 130
Administrative expenses	2	-11 309	-13 970
Research & Development expenses		-32 005	-32 157
Other operating income	3	19 645	25 106
Other operating expenses		<u>-140</u>	<u>-82</u>
<b>Operating income</b>	4, 5	11 892	1 645
<b>Income from financial items</b>			
Result from other securities and receivables accounted for as fixed assets	15	-1 992	-3 254
Interest incomes and other similar profit/ loss items		25	12
Interest expenses and other similar profit/ loss items		<u>-16</u>	<u>-93</u>
<b>Net income after financial items</b>		9 909	-1 690
<b>Net Income before taxes</b>		<u>9 909</u>	<u>-1 690</u>
Income taxes	6	<u>-1 597</u>	<u>-177</u>
<b>Net profit for the year</b>		8 312	-1 867



**Balance Sheet - SenseAir Group**

Amounts in SEK thousand	Note	2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
<b>ASSETS</b>			
<b>Fixed Assets</b>			
<b>Material Assets</b>			
Land and buildings	7	606	618
Leasehold improvements	8	925	1 027
Plant and machinery	9	975	2 219
Equipment, tools, fixtures and fittings	10	3 254	3 336
Construction in progress and advance payments for tangible fixed assets	11	968	1 060
		<u>6 728</u>	<u>8 260</u>
<b>Financial Assets</b>			
Minority interests	13	-	-
Deferred taxes		372	167
Other long term receivables	15	20	20
		<u>392</u>	<u>187</u>
<b>Total fixed Assets</b>		<u>7 120</u>	<u>8 447</u>
<b>Current Assets</b>			
<b>Inventory</b>			
Inventory		14 432	17 571
Goods in production		737	3 407
Goods for Sale		790	1 960
Prepaid to suppliers		-	-
		<u>15 959</u>	<u>22 938</u>
<b>Short term receivables</b>			
Accounts receivables		25 271	24 040
Tax receivables		-	-
Other short term receivables		2 218	227
Prepaid expenses	16	2 339	986
		<u>29 828</u>	<u>25 253</u>
<b>Short term investments</b>		3 016	-
<b>Cash and bank</b>	17,18	24 977	9 577
<b>Total Current Assets</b>		<u>73 780</u>	<u>57 768</u>
<b>TOTAL ASSETS</b>		<u>80 900</u>	<u>66 215</u>

## Balance Sheet - SenseAir Group

Amounts in SEK thousand	Note	2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	19		
<i>Restricted equity</i>			
Owners equity		555	555
Reserve fund		3 595	3 641
		<u>4 150</u>	<u>4 196</u>
<i>Non restricted equity</i>			
Retained surplus (accumulated incl. Profit of the year)		43 979	35 715
		<u>43 979</u>	<u>35 715</u>
<b>Total equity</b>		<u>48 129</u>	<u>39 911</u>
<b>Provisions</b>			
Deferred taxes		525	-
Provisions for warranties	22	1 707	2 057
		<u>2 232</u>	<u>2 057</u>
<b>Short term liabilities</b>			
Invoiced but not recognized income	23	2 290	2 200
Pre-payments from customers		1 122	2
Account payables		10 261	8 890
Tax liabilities		1 023	297
Other short term liabilities		1 454	3 143
Accruals and deferred income	24	14 389	9 715
		<u>30 539</u>	<u>24 247</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>80 900</u>	<u>66 215</u>

## Pledged assets and contingent liabilities - SenseAir Group

Amounts in SEK thousand	Note	SenseAir Group	
		2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
<b>Pledged assets</b>			
<i>For own liabilities and provisions</i>			
Chattel mortgages		28 150	28 150
<b>Total</b>		<u>28 150</u>	<u>28 150</u>
<b>Contingent liabilities</b>			
Conditionall liability to repay contribution for business development		77	422
<b>Total</b>		<u>77</u>	<u>422</u>

**Cash flow statement - SenseAir Group**

Amounts in SEK thousand		2015-01-01	2014-01-01
	Note	-2015-12-31	-2014-12-31
<b>Cash flow from operations</b>			
Result after financial items		9 909	-1 690
Adjustment for items not requiring an outflow of cash	18	4 381	6 509
		<u>14 290</u>	<u>4 819</u>
Income tax paid		<u>-549</u>	<u>2 248</u>
<b>Cash flow from operating activities before changes in working capital</b>		<b>13 741</b>	<b>7 067</b>
<i>Cash flows from changes in working capital</i>			
Increase (-)/decrease (+) in inventories		7 134	-1 156
Increase (-)/decrease (+) in current receivables		-4 564	-4 612
Increase (+)/decrease (-) current liabilities		5 257	4 635
<b>Cash flow from operating activities</b>		<b>21 568</b>	<b>5 934</b>
<b>Investing activities</b>			
Acquisition of tangible assets		-1211	-661
Acquisition of financial assets		<u>-1 992</u>	<u>176</u>
<b>Cash flow from investments</b>		<b>-3 203</b>	<b>-485</b>
<b>Financing activities</b>			
Proceeds from borrowing		<u>-</u>	<u>-</u>
<b>Cash flow from financial items</b>		<b>-</b>	<b>-</b>
<b>TOTAL CASH FLOW</b>		<b>18 365</b>	<b>5 449</b>
Cash and cash equivalents at beginning of period		9 577	3 710
Exchange rate differences in cash		51	418
Cash and cash equivalents at the end of the period	17	<u>27 993</u>	<u>9 577</u>

**Income Statement - SenseAir AB**

Amounts in SEK thousand	Note	2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
Net sales	1	123 218	109 798
Cost for goods sold		-83 093	-79 935
<b>Gross profit</b>		<u>40 125</u>	<u>29 863</u>
Sales expenses		-8 994	-8 875
Administrative expenses	2	-9 437	-12 576
Research & Development expenses		-32 005	-32 157
Other operating income	3	19 645	25 081
Other operating expenses		-	-
<b>Operating income</b>	4, 5	<u>9 334</u>	<u>1 336</u>
<b>Income from financial items</b>			
Result from other securities and receivables accounted for as fixed assets	15	-1 992	-3 254
Interest incomes and other similar profit/ loss items		21	9
Interest expenses and other similar profit/ loss items		-16	-93
<b>Net income after financial items</b>		<u>7 347</u>	<u>-2 002</u>
<b>Net Income before taxes</b>		<u>7 347</u>	<u>-2 002</u>
Appropriations, other		-2 386	-
Income taxes	6	-745	-
<b>Net profit for the year</b>		<u>4 216</u>	<u>-2 002</u>

## Balance Sheet - SenseAir AB

Amounts in SEK thousand	Note	2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
<b>ASSETS</b>			
<b>Fixed Assets</b>			
<b>Material Assets</b>			
Land and buildings	7	606	618
Leasehold improvements	8	925	1 027
Plant and machinery	9	975	2 219
Equipment, tools, fixtures and fittings	10	2 426	2 883
Construction i progress and advance payments	11	968	1 060
		5 900	7 807
<b>Financial Assets</b>			
Minority interests	13	-	-
Investment in group companies	12,14	2 669	2 669
Other long term receivables	15	20	20
		2 689	2 689
<b>Total fixed Assets</b>		8 589	10 496
<b>Current Assets</b>			
<b>Inventory</b>			
Inventory		10 470	14 302
Goods in production		737	3 407
Goods for Sale		790	1 960
Prepaid to suppliers		-	-
		11 997	19 669
Accounts receivables		21 383	22 160
Accounts receivables, internal		7 790	5 235
Tax receivables		-	-
Other short term receivables		1 266	160
Prepaid expenses	16	2 227	907
		32 666	28 462
Short term investments		3 016	-
<b>Cash and bank</b>	17,18	21 242	6 818
<b>Total Current Assets</b>		68 921	54 949
<b>TOTAL ASSETS</b>		77 510	65 445

**Balance Sheet - SenseAir AB**

Amounts in SEK thousand	Note	2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	19		
<i>Restricted equity</i>			
Owners equity		555	555
Reserve fund		3 105	3 105
		<u>3 660</u>	<u>3 660</u>
<i>Non restricted equity</i>			
Retained surplus (accumulated)		36 329	38 332
Net Income for the year		4 216	-2 002
		<u>40 545</u>	<u>36 330</u>
<b>Total equity</b>		<u>44 205</u>	<u>39 990</u>
<b>Untaxed reserves</b>			
Accumulated excess depreciation	20	1 272	-
Tax allocation reserve	21	1 114	-
		<u>2 386</u>	<u>-</u>
<b>Provisions</b>			
Provisions for warranties	22	1 707	2 057
		<u>1 707</u>	<u>2 057</u>
<b>Short term liabilities</b>			
Invoiced but not recognized income	23	2 290	2 200
Pre-payments from customers		6	2
Account payables		10 237	8 148
Tax payables		828	253
Other short term liabilities		1 462	3 081
Accruals and deferred income	24	14 389	9 714
		<u>29 212</u>	<u>23 398</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>77 510</u>	<u>65 445</u>

**Pledged assets and contingent liabilities - SenseAir AB**

Amounts in SEK thousand	Note	2015-01-01 -2015-12-31	2014-01-01 -2014-12-31
<b>Pledged assets</b>			
<i>For own liabilities and provisions</i>			
Chattel mortgages		28 150	28 150
<b>Total</b>		<u>28 150</u>	<u>28 150</u>
<b>Contingent liabilities</b>			
Conditionall liability to repay contribution for business development		77	422
<b>Total</b>		<u>77</u>	<u>422</u>

**Cash flow statement - SenseAir AB**

Amounts in SEK thousand		2015-01-01	2014-01-01
	Note	-2015-12-31	-2014-12-31
<b>Cash flow from operations</b>			
Result after financial items		7 347	-2 002
Adjustment for items not requiring an outflow of cash	18	4 219	6 402
		<u>11 566</u>	<u>4 400</u>
Income tax paid		-170	2 394
<b>Cash flow from operating activities before changes in working capital</b>		<b>11 396</b>	<b>6 794</b>
<i>Cash flows from changes in working capital</i>			
Increase (-)/decrease (+) in inventories		7 672	1 234
Increase (-)/decrease (+) in current receivables		-4 205	-6 987
Increase (+)/decrease (-) current liabilities		5 239	4 153
<b>Cash flow from operating activities</b>		<b>20 102</b>	<b>5 194</b>
<b>Investing activities</b>			
Acquisition of tangible assets		-670	-467
Acquisition of financial assets		-1 992	-
<b>Cash flow from investments</b>		<b>-2 662</b>	<b>-467</b>
<b>Financing activities</b>			
Proceeds from borrowing		-	-
<b>Cash flow from financial items</b>		<b>-</b>	<b>-</b>
<b>TOTAL CASH FLOW</b>		<b>17 440</b>	<b>4 727</b>
Cash and cash equivalents at beginning of period		<u>6 818</u>	<u>2 091</u>
Cash and cash equivalents at the end of the period	17	<b>24 258</b>	<b>6 818</b>

## Notes to the financial statements

*Amounts in SEK thousand unless otherwise stated*

### General accounting principles

The Annual report has been prepared in accordance with the Annual Accounts Act and the guidelines issued by the Swedish Accounting Standards Board BFNAR 2012:1 concerning annual reports and group consolidation (K3).

The parent company applies the same accounting standards as the group.

### Valuation principles

Assets, provisions and liabilities are stated at historical cost unless otherwise stated.

### Recognition of revenue

Revenue from sales of goods is recognized upon delivery of goods to the customer, in accordance with the terms of sales. Sales are reported net of VAT and discounts.

Revenue from services is recognized at delivery of service to the customer.

Income in regards to contractual work out of fixed price contracts are accounted for by calculating the completed percentage of the project. The calculation is done by comparing the actual work completed to the planned total work for the project.

### Taxes

Current tax in the income statement consists of current tax and deferred tax. Current tax is the income tax calculated on the taxable results for the fiscal year and tax from previous years that has not yet been accounted for. Deferred tax is income tax in regards to future fiscal year(s), coming from transactions from previous year(s).

Current tax liabilities/ - assets are valued at what, in its assessment shall be paid to or received from the Swedish Tax Agency. The assessment is made under the tax rules and tax rates enacted, or are announced and are likely to be set.

Deferred tax receivables have been valued to the amount that likely, at a maximum will be received based on current and future taxable results. A re-assessment of the valuation is made on each balance day.

In the group consolidation the untaxed reserves are split into deferred tax and equity. Untaxed reserves are accounted for including deferred tax debt.

### Inventories

Inventories are stated at the lower of cost or net realizable value, with due consideration for obsolescence. The cost is calculated as weighted average costs. In addition to costs for raw material the expenses for transportation of goods is included.



In the standard cost for semi-finished and finished goods, the direct production costs and production overhead costs are included, if not considered insignificant in relation to the total production cost. At valuation normal operating capacity has been considered.

### **Remunerations to employees**

#### ***Remuneration after employment***

Plans for remunerations after employment has been classified as either fee- or benefit based. The group only holds fee based pension plans.

When applying fee based plans, a fixed amount is paid, normally to an insurance company, where the employer has no obligation towards the employee after terminated employment. The size of the payments to the employee after terminated employment depends on the fees that have been paid and the return on that capital.

The expenses for fee based pension plans are accounted for as a cost in the income statement. Fees not paid, are accounted for as a debt.

#### ***Other long term remunerations to employees***

Debt for other long term remunerations to employees is accounted for as current value at the closing date.

#### ***Remunerations at termination of employment***

Remuneration at termination of employment, in the case it's not giving any financial benefits for the company, is accounted for as a debt and a cost for the company only when there is a legal or an informal obligation to:

- a) Terminate an employee or a group of employees before the normal time for the termination of the contract, or:
- b) Give remuneration offering to promote voluntary termination of employment. Remuneration at termination of employment is first accounted for when the company has a detailed plan for the termination in place and has no possibility to cancel the plan.

### **Receivables**

Receivables are reported at the amount expected to be collected based on individual assessment of collectability.

### **Foreign currency**

#### ***Transactions in foreign currency***

Receivables and liabilities denominated in foreign currencies are translated at the closing rate. Non-monetary transactions are not translated but accounted for at the exchange rate at the time for the transaction.

### ***Translation of foreign business***

Assets and debts, including goodwill and other group related valuations are translated to closing rate. Income and expenses are translated at the current rate on each transaction date, if not translated to the actual average rate over the period. Exchange rate differences arriving from the translation are accounted for directly towards equity.

### **Warranty reserve**

A provision for warranties is recognized in the cases, during the financial year or previously, sold goods are likely to be claimed from one or more customers. The calculation of the provision is based on historical data and/ or experience values. An analysis of possible outcomes in relation to its probability is the basis of the provision.

### **Leasing – leaseholder**

A financial leasing agreement is a contract between two parties where the risks and benefits from owning an asset is transferred from the lease giver to lease holder. An operational leasing agreement is a contract that is not a financial leasing agreement.

### **Operational leasing agreements**

Leasing fees according to the operational leasing agreements, including additional entry leasing fee but excluding expenses for services as insurance and maintenance, are accounted for as a cost linear over the leasing period.

### **Fixed tangible assets**

Fixed tangible assets are valued as acquisition cost less accumulated depreciation and devaluations adding potential revaluation. Purchasing price including all other costs related to the purchase is included in the total acquisition cost.

### ***Additional expenses***

Additional expenses that fulfill the prerequisites to be considered an asset are included in the net value of the asset. Expenses for maintenance and reparations are accounted for as a cost directly at the time of the transaction.

There is no difference in usage of main components for existing tangible assets and therefore no split has been made for separate depreciation.

### ***Depreciation***

Depreciation is done linear over the period of expected future usage as financial benefits are expected out of this asset during that time. The depreciation is accounted for as a cost in the income statement.

The following depreciation percentages are applied:

Material assets	Group (%/year)	SenseAir AB (%/ year)
Buildings	2	2
Leasehold improvements	5	5
Plant and machinery	10-20	10-20
Equipment, tools, fixtures and fittings	12-20	20

The difference between the depreciations above and taxable depreciations is at any case shown as accumulated extra depreciation in the income statement for the individual companies. Extra depreciation is an untaxed reserve.

### **Definition of key ratios**

#### *Net Sales*

Nets sales is the sales value of goods, added up with the exchange rate differences arising from the sale.

#### *Other operating income*

Other operating income include contributions for research and development, exchange rate profits, profits on sold assets and sales of research and development services.

#### *Research and development costs*

Total expenditure on research and development such as salaries, consultant fees and other development projects, that's consistent with the activities of research and development.

#### *Operating profit*

Profit before financial items and tax

#### *Profit after tax*

Profit after financial items less tax

#### *Balance sheet total*

Total assets

#### *Profit margin*

Profit after financial items/ net sales

#### *Solidity*

Total equity and untaxed reserves deducted by deferred tax (22%)/ Balance sheet total

#### *Average number of employees*

Number of full-time employees – the sum of the total number of hours worked per person excluding hours at overtime/ normal annual working hours (1 850 hours)

### **Group consolidation of accounting**

The group consolidation has been created in accordance with BRNAR 2012:1 (K3)

### **Subsidiaries**

Subsidiaries are companies where the parent company, directly or indirectly, owns 50% or more of the votes, or have defining power when it comes to the operations and/or financial governance. A subsidiary is normally accounted for according to the "acquisition method". According to the methodology a subsidiary's assets and liabilities are fully acquired by the parent company. This means that from the date of the acquisition, the subsidiary's income and costs, identifiable assets and liabilities as well as goodwill and negative goodwill are included in the group consolidation. From the acquisition date the acquirer and acquired company are seen as one accounting entity. This also applies for partly owned subsidiaries.

The acquisition value of the subsidiary is calculated by the real value on the date of acquisition for acquired assets, with addition of debts and issued capital instruments, expenses related to the acquisition and potential extra payment for the entity. The real value of the subsidiary is, with a few exceptions set in the acquisition analysis, at the acquisition date of assets and debts.

**Notes**

**Note 1 Revenue by business and geographic segment**

	<i>2015-01-01</i>	<i>2014-01-01</i>
	<i>-2015-12-31</i>	<i>-2014-12-31</i>
<b>Group</b>		
<i>Revenue by geographic segment</i>		
Sweden	13 662	13 558
Europé	26 660	22 360
North America	56 937	46 154
Asia and other	34 316	31 053
<b>Total</b>	<u>131 575</u>	<u>113 125</u>

**Parent company**

<i>Revenue by geographic segment</i>		
Sweden	13 662	13 558
Europé	26 660	22 360
North America	51 877	44 044
Asia and other	31 019	29 836
<b>Total</b>	<u>123 218</u>	<u>109 798</u>

**Note 2 Audit fees and expenses**

	<i>2015-01-01</i>	<i>2014-01-01</i>
	<i>-2015-12-31</i>	<i>-2014-12-31</i>
<b>Group</b>		
<i>KPMG</i>		
Audit fees	105	105
Others	29	18
<b>Total</b>	<u>134</u>	<u>123</u>

**Parent company**

<i>KPMG</i>		
Audit fees	105	105
Others	29	18
<b>Total</b>	<u>134</u>	<u>123</u>

**Note 3 Other operating income**

	<i>2015-01-01</i>	<i>2014-01-01</i>
	<i>-2015-12-31</i>	<i>-2014-12-31</i>
<b>Group</b>		
Government grants	5 236	3 231
Invoiced R&D	13 295	18 723
Exchange rate profits	1 079	3 042
Others	35	110
<b>Total</b>	<u>19 645</u>	<u>25 106</u>

**Parent company**

Government grants	5 236	3 231
Invoiced R&D	13 295	18 723
Exchange rate profits	1 079	3 017
Others	35	110
<b>Total</b>	<u>19 645</u>	<u>25 081</u>

**Note 4 Employees, personnel costs and remunerations to management**

*Average number of employees*

	2015-01-01		2014-01-01	
	2015-12-31	Of which men	-2014-12-31	Of which men
<b>Parent company</b>				
Sweden	88	55	100	60
<b>Total parent company</b>	<b>88</b>	<b>55</b>	<b>100</b>	<b>60</b>
<b>Subsidiaries</b>				
USA	2	1	2	1
China	4	-	4	-
<b>Total subsidiaries</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>1</b>
<b>Group total</b>	<b>94</b>	<b>56</b>	<b>106</b>	<b>61</b>

*Distribution of women and men in company management*

	2015-12-31	2014-12-31
	% Women	% Women
<b>Parent company</b>		
Board of directors	-	-
Other key management personnel	29	25
<b>Group total</b>		
Board of directors	-	-
Other key management personnel	30	27

*Salaries, other remunerations and social security costs*

	2015-01-01	2014-01-01
	-2015-12-31	-2014-12-31
<b>Parent company</b>		
Board of directors and CEO	1 867	3 046
Other employees	41 435	41 612
Total	43 302	44 658
Social security costs	16 572	17 313
(of that pension costs)	3 529	3 837
<b>Subsidiaries</b>		
Board of directors and CEO	-	-
Other employees	2 335	1 776
Total	2 335	1 776
Social security costs	182	102
(of that pension costs)	-	-
<b>Group total</b>		
Board of directors and CEO	1 867	3 046
Other employees	43 770	43 388
Total	45 637	46 434
Social security costs	16 754	17 415
(of that pension costs)	3 529	3 918

1. Remunerations to the management group of the parent company relates to 8 (10) persons. Of the parent company's pension costs, 1 264 kSEK (1 720kSEK) is related to the management group of the company 8 (10) persons.

2. Remunerations to the management group of the group relates to 10 (12) persons. Of the parent company's pension costs, 1 264 kSEK (1 720kSEK) is related to the management group of the company 10 (12) persons.

Notice of termination fo the Sales Director of Asia by the company and the Sales Director of Asia is 6 months. Upon termination by the company, he is entitled to payment in lieu of notice and the right to severance pay equivalent to 12 months.

**Remunerations to Board of Directors and CEO**

2015	Salary and Board remuneration	Variable remuneration	Other benefits	Pensions
Chairman - Jan Carlsson (from 20th of May, 2015)	67	-	-	-
CEO - Lennart Ivarsson	1 644	-	-	-
Board member Bengt-Göran Persson	45	-	-	-
Board member Magnus Jonsson (prev. Chairman)	67	-	-	-
Board member Karl- Johan Pettersén	44	-	-	-
Total	1 867	-	-	-
	Financial instruments etc	Other remunerations	Total	Pension obligations
Chairman - Jan Carlsson (from 20th of May, 2015)	-	5	72	-
CEO - Lennart Ivarsson	-	253	1 897	-
Board member Bengt-Göran Persson	-	1	46	-
Board member Magnus Jonsson (prev. Chairman)	-	30	97	-
Board member Karl- Johan Pettersén	-	23	67	-
Total	-	312	2 179	-
	Salary and Board remuneration	Variable remuneration	Other benefits	Pensions
2014				
Chairman - Magnus Jonsson (from 23rd of June, 2014)	66	-	-	-
CEO - Lennart Ivarsson (from 27th of May, 2014, prev. Chairman)	1 005	-	-	-
CEO - Christer Engnér (to 26th of May, 2014)	1 840	-	-	536
Board member Bengt-Göran Persson	45	-	-	-
Board member Jan Carlsson	45	-	-	-
Board member Karl- Johan Pettersén	45	-	-	-
Total	3 046	-	-	536
	Financial instruments etc	Other remunerations	Total	Pension obligations
Chairman - Magnus Jonsson (from 23rd of June, 2014)	-	59	125	-
CEO - Lennart Ivarsson (from 27th of May, 2014, prev. Chairman)	-	151	1 156	-
CEO - Christer Engnér (to 26th of May, 2014)	-	-	2 376	-
Board member Bengt-Göran Persson	-	51	96	-
Board member Jan Carlsson	-	35	80	-
Board member Karl- Johan Pettersén	-	29	74	-
Total	-	325	3 907	-

**Note 5 Operational leasing - lessee**

	2015-01-01	2014-01-01
	2015-12-31	2014-12-31
<b>Group</b>		
<i>Assets from operational lease agreements</i>		
Total lease expenses	258	303
Agreed future minimum lease payments from non cancellable agreements that are due:		
within a year	-	-
between one and five years	456	115
<b>Parent company</b>		
<i>Assets from operational lease agreements</i>		
Total lease expenses	258	303
Agreed future minimum lease payments from non cancellable agreements that are due:		
within a year	-	-
between one and five years	456	115

**Note 6 Tax on this years profit or loss**

	2015-01-01	2014-01-01
	2015-12-31	2014-12-31
<b>Group</b>		
Current tax	1 277	-210
Deferred tax	320	33
	<u>1 597</u>	<u>-177</u>
<b>Parent company</b>		
Current tax	745	-
Deferred tax	-	-
	<u>745</u>	<u>-</u>

**Note 7 Land and Buildings**

	<i>Group</i>	<i>Parent company</i>
<i>Accumulated cost</i>		
At beginning of the year	<u>730</u>	<u>730</u>
	730	730
<i>Accumulated depreciation</i>		
At beginning of the year	-112	-112
Depreciation for the year	<u>-12</u>	<u>-12</u>
	<u>-124</u>	<u>-124</u>
<b>Net book value at end of year</b>	<b>606</b>	<b>606</b>

**Note 8 Leasehold improvements**

	<i>Group</i>	<i>Parent company</i>
<i>Accumulated cost</i>		
At beginning of the year	<u>2 220</u>	<u>2 220</u>
	2 220	2 220
Write downs by rural support	-65	-65
<i>Accumulated depreciation</i>		
At beginning of the year	-1 128	-1 128
Depreciation for the year	<u>-102</u>	<u>-102</u>
	<u>-1 295</u>	<u>-1 295</u>
<b>Value at the end of the year</b>	<b>925</b>	<b>925</b>



**Note 9 Plant and machinery**

	<i>Group</i>	<i>Parent company</i>
<hr/>		
<i>Accumulated cost</i>		
At beginning of the year	15 357	15 357
	<hr/>	<hr/>
	15 357	15 357
Write downs by rural support	-1 250	-1 250
<i>Accumulated depreciation</i>		
At beginning of the year	-11 888	-11 888
Depreciation for the year	-1 244	-1 244
	<hr/>	<hr/>
	-14 382	-14 382
<b>Value at the end of the year</b>	<b>975</b>	<b>975</b>

**Note 10 Equipment, tools, fixtures and fittings**

	<i>Group</i>	<i>Parent company</i>
<hr/>		
<i>Accumulated cost</i>		
At beginning of the year	15 352	14 690
Acquisitions	1 313	761
Exchange rate differences	-16	-
	<hr/>	<hr/>
	16 649	15 451
Write downs by rural support	-356	-356
<i>Accumulated depreciation</i>		
At beginning of the year	-11 660	-11 451
Depreciation for the year	-1 379	-1 218
	<hr/>	<hr/>
	-13 395	-13 025
<b>Value at the end of the year</b>	<b>3 254</b>	<b>2 426</b>

**Note 11 Construction in progress and advance payments for tangible fixed assets**

	<i>Group</i>	<i>Parent company</i>
<hr/>		
At the beginning of the year	1 060	1 060
Reclassifications	-1 060	-1 060
Acquisitions	968	968
	<hr/>	<hr/>
<b>Value at the end of the year</b>	<b>968</b>	<b>968</b>

**Note 12 Group information**

The company is the parent company to the 100% owned subsidiaries SenseAir Gas Sensors Co.,Ltd (China) and SenseAir North America Inc. (USA).

Of the total purchases and sales for the parent company, 0% of the purchases and 14% of the sales represents transactions to and from other group companies.

**Note 13 Minority interests**

	2015-12-31	2014-12-31
<b>Group</b>		
<b>Accumulated cost</b>		
At the beginning of the year	-	-
Acquisitions	1 992	-
Depreciations	-1 992	-
<b>Total</b>	-	-
<b>Parent company</b>		
<b>Accumulated cost</b>		
At the beginning of the year	-	-
Acquisitions	1 992	-
Depreciations	-1 992	-
<b>Total</b>	-	-

**Specification of minority interests**

Minority company	Adjusted eqty/ Net profit	Share %	Minority equity value in the group	Bookvalue in parent company
<b>Directly owned</b>				
Nova IR Inc.	neg	38,3	-	-

**Note 14 Investments in group companies**

	2015-12-31	2014-12-31
<i>Accumulated cost</i>		
At beginning of the year	2 669	2 669
<b>Total</b>	<b>2 669</b>	<b>2 669</b>

**Parent company's investment in shares and participations in subsidiaries**

Refers to the share of capital corresponding also to the share of voting rights.

Company/ Corp id No/ Registered office	No of shares	Share %	Book value
SenseAir Chengdu Gas Sensors Co, Ltd Chengdu, Kina	100	100	2 438
SenseAir North America Inc. Tucson Arizona, USA	100	100	231
			<b>2 669</b>

**Note 15 Other long- term receivables**

	Group	Parent company
<i>Accumulated cost</i>		
At beginning of the year	20	20
Exchange rate differences	-	-
<b>Value at year end</b>	<b>20</b>	<b>20</b>

**Note 16 Prepaid expenses and accrued income**

	<i>Group</i>	<i>Parent company</i>
<i>2015-12-31</i>		
Prepaid rental fees	131	131
Prepaid leasing fees	166	166
Prepaid insurances	614	614
Prepaid project costs	845	845
Others	583	471
<b>Total</b>	<b>2 339</b>	<b>2 227</b>
<i>2014-12-31</i>		
Prepaid rental fees	123	123
Prepaid leasing fees	77	77
Prepaid insurances	222	222
Prepaid project costs	285	285
Others	279	200
<b>Total</b>	<b>986</b>	<b>907</b>

**Note 17 Cash and bank**

	<i>2015-12-31</i>	<i>2014-12-31</i>
<b>Group</b>		
<i>The following cash and bank items are included:</i>		
Cash and bank	24 977	9 577
Other short term investments, equal to cash and bank	3 016	-
	<b>27 993</b>	<b>9 577</b>
<b>Parent Company</b>		
<i>The following cash and bank items are included:</i>		
Cash and bank	21 242	6 818
Other short term investments, equal to cash and bank	3 016	-
	<b>24 258</b>	<b>6 818</b>

The items above have been classified as cash because:

- The risk for fluctuations in value is very limited.
- They can quickly be transferred into cash.
- Their duration time is maximum 3 months from date of acquisition.

**Note 18 Other information about the cash flow statement**

**Adjustments for items not included in the cash flow etc.**

	<i>2015-12-31</i>	<i>2014-12-31</i>
<b>Group</b>		
Depreciation	2 739	2 798
Write down adjustments	1 992	3 254
Other depositions	-350	457
<b>Balance at end of year</b>	<b>4 381</b>	<b>6 509</b>
<b>Parent company</b>		
Depreciation	2 577	2 692
Write down adjustments	1 992	3 254
Other depositions	-350	456
<b>Balance at end of year</b>	<b>4 219</b>	<b>6 402</b>

**Note 19 Equity**

	Share capital	Reserves	Accumulated surplus
<b>Group</b>			
At beginning of the year	555	3 641	35 715
Exchange rate difference, at the beginning of year	-	48	-48
Adjusted value 2015-01-01	555	3 689	35 667
Net result for the year			8 312
			<b>8 312</b>
Changes in values accounted for as equity			
Exchange rate differences	-	-94	-
Summary	-	-94	-
Transactions with owners of the company			
Summary	-	-	-
Re-distribution of items in equity			
Summary	-	-	-
<b>Total 2015-12-31</b>	<b>555</b>	<b>3 595</b>	<b>43 979</b>

	Share capital	Reserve fund	Revaluation fund	Non restricted capital
<b>Parent company</b>				
At beginning of the year	555	1015	2 090	36 329
Net loss for the year				4 216
<b>At end of the year</b>	<b>555</b>	<b>1015</b>	<b>2 090</b>	<b>40 545</b>

**Note 20 Accumulated excess depreciation**

	2015-12-31	2014-12-31
Machinery, tools and equipment	1 272	-
<b>Total</b>	<b>1 272</b>	<b>-</b>

**Note 21 Tax allocation reserve**

	2015-12-31	2014-12-31
Tax allocation reserve, reserved fiscal year 2015	1 114	-
<b>Total</b>	<b>1 114</b>	<b>-</b>

**Note 22 Other provisions**

	<i>Group</i>	<i>Parent company</i>
<hr/>		
<i>2015-12-31</i>		
Warranties	1 707	1 707
	<u>1 707</u>	<u>1 707</u>
<i>2014-12-31</i>		
Warranties	2 057	2 057
	<u>2 057</u>	<u>2 057</u>

**Note 23 Invoiced but not recognized income**

	<i>2015-12-31</i>	<i>2014-12-31</i>
<hr/>		
<b>Contractual work</b>		
<b>Group</b>		
Accumulated and recognized income	3 750	11 560
Accumulated and recognized contractual expenses and profit	-6 040	-13 760
	<u>-2 290</u>	<u>-2 200</u>
<b>Parent company</b>		
Accumulated and recognized income	3 750	11 560
Accumulated and recognized contractual expenses and profit	-6 040	-13 760
	<u>-2 290</u>	<u>-2 200</u>

The total contractual costs are expected to exceed the total income for the contractual work with 2 290kSEK. The recognized and invoiced income at the 31st of December 2015 was 3 750 kSEK.

Income from contractual work in regards to fixed price contracts is accounted for by calculating the completed percentage of the project. The calculation is done by comparing the completed work to date to the total planned work.

**Note 24 Accruals and deferred income**

	<i>Group</i>	<i>Parent company</i>
<hr/>		
<i>2015-12-31</i>		
Accrued personnel costs	9 823	9 823
Others	4 566	4 566
	<u>14 389</u>	<u>14 389</u>
<i>2014-12-31</i>		
Accrued personnel costs	8 060	8 060
Others	1 655	1 654
	<u>9 715</u>	<u>9 714</u>

## Underskrifter

Delsbo den 28/4-2016



Jan Carlsson  
Styrelseordförande



Bengt-Göran Persson  
Ledamot



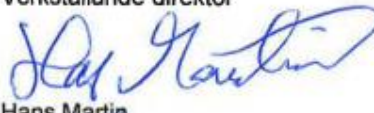
Magnus Jonsson  
Ledamot



Thomas Svensk  
Arbetsagarrepresentant



Lennart Ivarsson  
Verkställande direktör



Hans Martin  
Ledamot



Karl-Johan Pettersén  
Ledamot



Peter Kjellin  
Arbetsagarrepresentant

Vår revisionsberättelse har lämnats den 2016-04-28

KPMG AB



Lars Skoglund  
Auktoriserad revisor