

The Board of Directors and the Managing Director of

SenseAir AB
556475-5519

Submit the following

Annual Report

2014-01-01 – 2014-12-31

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Administration Report

The Board of Directors and the Managing Director of SenseAir AB, 556475-5519 are presenting the following annual report for 2014. 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.

The technology that is developed by the company over the past 20 years is world leading. SenseAir is selling gas sensors based on IR technology primarily for measurement of carbon-dioxide. Gas sensors are manufactured both for high and low volume applications. SenseAir has a large market share in the building control ventilation segment where our gas sensors give energy savings and better in-door climate. SenseAir also manufactures gas sensors for alarm applications and for carbon-dioxide control in alarm units in the agricultural segment. SenseAir is an international company where 88% of the total sales goes to other European countries, North America and Asia.

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, 15,2%
Investa företagskapital, 11,3%

No major changes to the ownership structure during the fiscal year.

Change of accounting standards

From the 1st of January, 2014 the group is applying BFNAR 2012:1. The implementation of the new

accounting recommendations have led to a change in accounting principles. This change hasn't had a significant effect on the income- and balance sheet.

Business development and financial results

Group

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

Net sales for the SenseAir Group reached 113 125 KSEK (104 860 KSEK) during the fiscal year, an increase with 7,9%.

The increase in net sales for the group comes from an increase in sales of products and the weaker Swedish krona. We have experienced good demand of our products during the year and sales to Europe and North America have increased with 31% and 13% respectively. The Swedish market has been somewhat weaker during the year and sales decreased with 10%. Sales to Asia decreased with 3%. Our subsidiaries in Chengdu, China had a turnover of 5 139 KSEK (2 891 KSEK), an increase of 77% and our subsidiary in Portland Oregon, USA had a turnover of 10 506 KSEK (7 470 KSEK), and increase with 41%.

Other external income increased with 127% and reached 25 106 KSEK (11 465 KSEK). Both sales of services and contributions to research and development have increased compared to previous year. During the year sales of services added up to 18 723 KSEK (9 169 KSEK) and the contributions reached 3 231 KSEK (2 066 KSEK). The increase has positively impacted the operating profit. See note 1 and 3 for further information.

The operating profit for the group totaled 1 645 KSEK (-6 072 KSEK).

The net results for the group totaled – 1 867 KSEK (-5 882 KSEK).

Results from other securities and receivables accounted for as fixed assets was impacted with a devaluation of owned security convertibles in the US based corporation International Technology Exchange, Inc. The company has filed for chapter 11 and due to that the assets are fully depreciated.

The cash flow for the fiscal year totaled 5 867 KSEK (-6 469KSEK).

SenseAir AB

	2014-12-31	2013-12-31	2012-12-31	2011-12-31	2010-12-31
Net sales, KSEK	109 798	101 469	100 581	100 269	116 519
R & D expenses, KSEK	32 157	26 130	21 304	17 492	16 686
Other operating income, KSEK	25 081	11 397	14 678	15 099	10 880
Net profit after financial items, KSEK	1 336	-5 748	-2 582	-3 172	10 941
Net profit after tax, KSEK	-2 002	-5 011	-281	-309	7 783
Balance sheet total, KSEK	65 445	62 583	68 695	70 278	73 539
Net margin, %	neg	neg	neg	neg	9
Solidity, %	61	67	69	71	71
Number of employees	100	90	88	73	73

In the parent company the net sales totaled 109 798 KSEK (101 469 KSEK), an 8,2% increase.

The operating income in the parent company totaled 1 336 KSEK (-5 748 KSEK).

In addition to what is mentioned above about the group results, it can be added that the parent company has invested in organizational development and process improvements during a number of years which in short term has impacted profitability negatively. This investment is now starting to pay off with better profitability and quality.

During the year we have realized some restructuring of our organization which has impacted the personnel costs. The contract with the CEO of the company was terminated on May 26th, 2014 which resulted in a cost for severance package of 1 261 KSEK. The company has during the time of notice had double costs for CEO as the CEO position was immediately filled. The salary, security fees and pension costs for the previous CEO during the time of notice totaled 906 KSEK. Other restructuring costs totaled 837 KSEK, social fees included.

The asset investments during the fiscal year totaled 848 KSEK and are related to improvements in machinery and tools for current production.

Major events during the fiscal year and the time thereafter

The contract with the CEO of the company has been terminated on May 26th, 2014.

No other major events have happened during the fiscal year.

Research and development

SenseAir is a world leader in the market for carbon dioxide measurement thanks to the technology we have developed over the years. Investments in research and development totaled 32 157 KSEK (26 130 KSEK) during 2014. This year 68% (43%) was financed by customers and other contributions for research and development.

We continuously cooperate with different universities where we together with them evaluate different technical approaches. This is a very important part of the long term technical development for the company.

During the year we have continued our important work in regarding to product development for new application areas such as measurement of alcohol- and methane gas. Our cooperation with Autoliv in regards to development of a new alcohol sensor continued successfully during the year. We are getting closer to a market release of these products and we hope to be able to start concrete sales activities in the future. In addition we have further developed our S8 product and also started development of a technical platform for more harsh environments. Our triple sensor K70 for humidity, temperature and carbon dioxide was released during the year with very good responds from the market.

Expected future development, major risks and other factors of uncertainty

There is no doubt about the future potential in regards to growth for SenseAir. A number of different areas have been identified with great potential towards which we steer our research and development. Our current business consists of carbon dioxide sensors for ventilation control, different alarm applications and life science applications. Those markets are stable and we possess a large market share in these markets. Our ambition is still to grow in these markets including the consumer markets. Another great potential market for us is the automotive market. The world gets more and more aware of environmental and sustainability issues and therefore the demand for carbon dioxide sensors as well as sensors for alcohol and methane detection are increasing. How fast these markets will develop is determined by jurisdiction and economic state and trade cycles.

The automotive industry has for many years shown interest in our technology and their interest is intact. We have ongoing discussions with potential partners when it comes to development of a product for carbon dioxide measurement in vehicles. At the same time we continue our cooperation with Autoliv in regards to alcohol detection for the automotive industry. We are at the end of the product development cycle and hope to be able to release a hand held unit during next year.

We will continue to develop our S8 platform that we released a few years ago and also continue to develop a technical platform for more harsh environments.

Our processes need to be further improved and we will continue to work on this over the next coming years. A lot of work has been done in this area but we do see further possibilities to improve for higher profitability and cash flow. Our target the next coming years is to have a positive net result and a positive operative cash flow where the strategy is to continue invest potential profits in business development.

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. The risks are evaluated continuously where corrective actions are identified and implemented.

2014 was a very good year for SenseAir.

We have turned around the negative trend for operative profit to positive.

We have a positive cash flow.

We have during the year refined our product and segment strategy.

We have re-evaluated our sales strategy and strengthened our marketing and sales department.

We have released new products according to time plan.

We have launched a new target program which will give positive effect on our financial KPI's.

We now have a stable operative base to build from and as the CEO of the company I feel secure in that we now have the right strategy and focus that we need to take on the challenges to come when it comes to change and growth.

29th of April

Lennart Ivarsson
CEO

Proposed appropriations of profits

Disposable profits at the annual general meeting is:

Accumulated profits brought forward	38 332 107
Net Profit for the year	<u>- 2 002 742</u>

SEK	36 329 365
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The Board of Director proposes that the profits are brought forward as follows:	36 329 365
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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	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Net sales	1	113 125	104 860
Cost for goods sold		<u>-78 247</u>	<u>-76 717</u>
Gross profit		34 878	28 143
Sales expenses		-12 130	-10 545
Administrative expenses	2	-13 970	-8 975
Research & Development expenses		-32 157	-26 130
Other operating income	3	25 106	11 465
Other operating expenses		<u>-82</u>	<u>-30</u>
Operating income	4, 5	1 645	-6 072
Income from financial items			
Result from other securities and receivables accounted for as fixed assets	14	-3 254	-43
Interest incomes and other similar profit/ loss items		12	34
Interest expenses and other similar profit/ loss items		<u>-93</u>	<u>-9</u>
Net income after financial items		-1 690	-6 090
Net Income before taxes		<u>-1 690</u>	<u>-6 090</u>
Income taxes	6	<u>-177</u>	208
Net profit for the year		-1 867	-5 882

Balance Sheet - SenseAir Group

Amounts in SEK thousand	Note	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
ASSETS			
Fixed Assets			
Material Assets			
Land and buildings	7	618	629
Leasehold improvements	8	1 027	1 130
Plant and machinery	9	2 219	3 383
Equipment, tools, fixtures and fittings	10	3 336	3 948
Construction in progress and advance payments for tangible fixed assets	11	<u>1 060</u>	<u>1 307</u>
		8 260	10 397
Financial Assets			
Deferred taxes		167	176
Other long term receivables	14	<u>20</u>	<u>3 274</u>
		187	3 450
Total fixed Assets		<u>8 447</u>	<u>13 847</u>
Current Assets			
Inventory			
Inventory		17 571	17 345
Goods in production		3 407	2 761
Goods for Sale		1 960	1 501
Prepaid to suppliers		<u>-</u>	<u>175</u>
		22 938	21 782
Short term receivables			
Accounts receivables		24 040	18 181
Tax receivables		-	2 140
Other short term receivables		227	990
Prepaid expenses	15	<u>986</u>	<u>1 177</u>
		25 253	22 488
Cash and bank	16,17	9 577	3 710
Total Current Assets		<u>57 768</u>	<u>47 980</u>
TOTAL ASSETS		<u>66 215</u>	<u>61 827</u>

Balance Sheet - SenseAir Group

Amounts in SEK thousand	Note	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
EQUITY AND LIABILITIES			
Equity	18		
<i>Restricted equity</i>			
Owners equity		555	555
Reserve fund		3 641	2 925
		<u>4 196</u>	<u>3 480</u>
<i>Non restricted equity</i>			
Retained surplus (accumulated incl. Profit of the year)		35 715	37 419
		<u>35 715</u>	<u>37 419</u>
Total equity		<u>39 911</u>	<u>40 899</u>
Provisions			
Deferred taxes		-	-
Provisions for warranties	19	2 057	1 600
		<u>2 057</u>	<u>1 600</u>
Short term liabilities			
Invoiced but not recognized income	20	2 200	-
Pre-payments from customers		2	240
Account payables		8 890	7 102
Tax liabilities		297	12
Other short term liabilities		3 143	994
Accruals and deferred income	21	9 715	10 980
		<u>24 247</u>	<u>19 328</u>
TOTAL EQUITY AND LIABILITIES		<u>66 215</u>	<u>61 827</u>

Pledged assets and contingent liabilities - SenseAir Group

Amounts in SEK thousand	Note	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Pledged assets			
<i>For own liabilities and provisions</i>			
Chattel mortgages		28 150	27 250
Total		<u>28 150</u>	<u>27 250</u>
Contingent liabilities			
Conditionall liability to repay contribution for business development		422	422
Total		<u>422</u>	<u>422</u>

Cash flow statement - SenseAir Group

Amounts in SEK thousand		2014-01-01	2013-01-01
	Note	-2014-12-31	-2013-12-31
Cash flow from operations			
Result after financial items		-1 690	-6 090
Adjustment for items not requiring an outflow of cash	17	6 509	2 786
		4 819	-3 304
Income tax paid		2 248	858
Cash flow from operating activities before changes in working capital		7 067	-2 446
<i>Cash flows from changes in working capital</i>			
Increase (-)/decrease (+) in inventories		-1 156	1 959
Increase (-)/decrease (+) in current receivables		-4 612	-2 894
Increase (+)/decrease (-) current liabilities		4 635	-294
Cash flow from operating activities		5 934	-3 675
Investing activities			
Acquisition of tangible assets		-485	-2 836
Cash flow from investments		-485	-2 836
Financing activities			
Proceeds from borrowing		-	-
Cash flow from financial items		-	0
TOTAL CASH FLOW		5 449	-6 511
Cash and cash equivalents at beginning of period		3 710	10 179
Exchange rate differences in cash		418	42
Cash and cash equivalents at the end of the period	16	9 577	3 710

Income Statement - SenseAir AB

Amounts in SEK thousand	Note	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Net sales	1	109 798	101 469
Cost for goods sold		-79 935	-76 413
Gross profit		<u>29 863</u>	<u>25 056</u>
Sales expenses		-8 875	-8 132
Administrative expenses	2	-12 576	-7 939
Research & Development expenses		-32 157	-26 130
Other operating income	3	25 081	11 397
Other operating expenses		-	-
Operating income	4, 5	<u>1 336</u>	<u>-5 748</u>
Income from financial items			
Result from other securities and receivables accounted for as fixed assets	14	-3 254	-43
Interest incomes and other similar profit/ loss items		9	31
Interest expenses and other similar profit/ loss items		-93	-9
Net income after financial items		<u>-2 002</u>	<u>-5 769</u>
Net Income before taxes		<u>-2 002</u>	<u>-5 769</u>
Appropriations, other		-	758
Income taxes		-	-
Net profit for the year		<u>-2 002</u>	<u>-5 011</u>

Balance Sheet - SenseAir AB

Amounts in SEK thousand	Note	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
ASSETS			
Fixed Assets			
Material Assets			
Land and buildings	7	618	629
Leasehold improvements	8	1 027	1 130
Plant and machinery	9	2 219	3 383
Equipment, tools, fixtures and fittings	10	2 883	3 583
Construction i progress and advance payments	11	1 060	1 307
		7 807	10 032
Financial Assets			
Investment in group companies	12,13	2 669	2 669
Other long term receivables	14	20	3 274
		2 689	5 943
Total fixed Assets		10 496	15 975
Current Assets			
Inventory			
Inventory		14 302	16 466
Goods in production		3 407	2 761
Goods for Sale		1 960	1 501
Prepaid to suppliers		-	175
		19 669	20 903
Accounts receivables		22 160	16 272
Accounts receivables, internal		5 235	3 033
Tax receivables		-	2 140
Other short term receivables		160	990
Prepaid expenses	15	907	1 179
		28 462	23 614
Cash and bank	16,17	6 818	2 091
Total Current Assets		54 949	46 608
TOTAL ASSETS		65 445	62 583

Balance Sheet - SenseAir AB

Amounts in SEK thousand	Note	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
EQUITY AND LIABILITIES			
Equity	17		
<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)		38 332	43 343
Net Income for the year		-2 002	-5 011
		<u>36 330</u>	<u>38 332</u>
Total equity		<u>39 990</u>	<u>41 992</u>
Provisions			
Provisions for warranties	19	2 057	1 600
		<u>2 057</u>	<u>1 600</u>
Short term liabilities			
Invoiced but not recognized income		2 200	-
Pre-payments from customers		2	240
Account payables		8 148	6 784
Tax payables		253	-
Other short term liabilities		3 081	986
Accruals and deferred income	20	9 714	10 981
		<u>23 398</u>	<u>18 991</u>
TOTAL EQUITY AND LIABILITIES		<u>65 445</u>	<u>62 583</u>

Pledged assets and contingent liabilities - SenseAir AB

Amounts in SEK thousand	Note	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Pledged assets			
<i>For own liabilities and provisions</i>			
Chattel mortgages		28 150	27 250
Total		<u>28 150</u>	<u>27 250</u>
Contingent liabilities			
Conditionall liability to repay contribution for business development		422	422
Total		<u>422</u>	<u>422</u>

Cash flow statement - SenseAir AB

Amounts in SEK thousand		2014-01-01	2013-01-01
	Note	-2014-12-31	-2013-12-31
Cash flow from operations			
Result after financial items		-2 002	-5 769
Adjustment for items not requiring an outflow of cash	17	<u>6 402</u>	<u>2 704</u>
		4 400	-3 065
Income tax paid		<u>2 394</u>	<u>726</u>
Cash flow from operating activities before changes in working capital		6 794	-2 339
<i>Cash flows from changes in working capital</i>			
Increase (-)/decrease (+) in inventories		1 234	1 982
Increase (-)/decrease (+) in current receivables		-6 987	-3 188
Increase (+)/decrease (-) current liabilities		<u>4 153</u>	<u>-287</u>
Cash flow from operating activities		5 194	-3 832
Investing activities			
Acquisition of tangible assets		<u>-467</u>	<u>-2 643</u>
Cash flow from investments		-467	-2 643
Financing activities			
Proceeds from borrowing		<u>-</u>	<u>-</u>
Cash flow from financial items		-	0
TOTAL CASH FLOW		4 727	-6 475
Cash and cash equivalents at beginning of period		<u>2 091</u>	<u>8 566</u>
Cash and cash equivalents at the end of the period	16	6 818	2 091

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.

The change of accounting standard has not resulted in any re-calculation of comparative figures and KPI's.

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 avista 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. All existing leasing agreements are classified as operational leasing agreements.

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.

Note 1 Revenue by business and geographic segment

	<i>2014-01-01</i>	<i>2013-01-01</i>
	<i>-2014-12-31</i>	<i>-2013-12-31</i>
Group		
<i>Revenue by geographic segment</i>		
Sweden	13 558	15 133
Europé	22 360	16 991
North America	46 154	40 689
Asia and other	31 053	32 047
Total	<u>113 125</u>	<u>104 860</u>

Parent company

<i>Revenue by geographic segment</i>		
Sweden	13 558	15 133
Europé	22 360	16 991
North America	44 044	39 159
Asia and other	29 836	30 186
Total	<u>109 798</u>	<u>101 469</u>

Note 2 Audit fees and expenses

	<i>2014-01-01</i>	<i>2013-01-01</i>
	<i>-2014-12-31</i>	<i>-2013-12-31</i>
Group		
<i>KPMG</i>		
Audit fees	105	105
Others	18	15
Total	<u>123</u>	<u>120</u>

Parent company

<i>KPMG</i>		
Audit fees	105	105
Others	18	15
Total	<u>123</u>	<u>120</u>

Note 3 Other operating income

	<i>2014-01-01</i>	<i>2013-01-01</i>
	<i>-2014-12-31</i>	<i>-2013-12-31</i>
Group		
Government grants	3 231	2 066
Invoiced R&D	18 723	9 169
Exchange rate profits	3 042	-
Others	110	230
Total	<u>25 106</u>	<u>11 465</u>

Parent company

Government grants	3 231	2 066
Invoiced R&D	18 723	9 169
Exchange rate profits	3 017	-
Others	110	162
Total	<u>25 081</u>	<u>11 397</u>

Note 4 Employees, personnel costs and remunerations to management

Average number of employees

	2014-01-01		2013-01-01	
	2014-12-31	Of which men	-2013-12-31	Of which men
Parent company				
Sweden	100	60	90	57
Total parent company	100	60	90	57
Subsidiaries				
USA	2	1	1	1
China	4	-	6	2
Total subsidiaries	6	1	7	3
Group total	106	61	97	60

Distribution of women and men in company management

	2014-12-31	2013-12-31
	% Women	% Women
Parent company		
Board of directors	-	-
Other key management personnel	25	25
Group total		
Board of directors	-	-
Other key management personnel	27	27

Salaries, other remunerations and social security costs

	2014-01-01	2013-01-01
	-2014-12-31	-2013-12-31
Parent company		
Board of directors and CEO	3 046	1 312
Other employees	41 612	37 202
Total	44 658	38 514
Social security costs (of that pension costs)	17 313 3 837	16 594 3 724
Subsidiaries		
Board of directors and CEO	-	-
Other employees	1 776	1 239
Total	1 776	1 239
Social security costs (of that pension costs)	102 81	59 -
Group total		
Board of directors and CEO	3 046	1 309
Other employees	43 388	38 441
Total	46 434	39 750
Social security costs (of that pension costs)	17 415 3 918	16 653 3 724

1. Of the parent company's pension costs 1 438 kSEK (1390kSEK) is related to the management group of 8 persons (8).

2. Of the group total pension costs 1 519kSEK (1 390kSEK) is related to the management group of 9 persons (8).

Notice of termination for the Chief Executive Officer by the company and the Chief Executive officer 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. The agreement with the CEO of the company was terminated on the 26th of May, 2014. The negative financial impact in regards to the severance package was in total 1 261 kSEK of which 301 kSEK is related to social security fees. The salary costs for the CEO during the resignation period was 906 kSEK.

Notice of termination for 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

2014	Salary and Board remuneration	Variable remuneration	Other benefits	Pensions
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	-
2013	Salary and Board remuneration	Variable remuneration	Other benefits	Pensions
Chairman - Lennart Ivarsson (from 13th of June- 2013)	45	-	-	-
Chairman - Gunnar Boman (to 13th of June- 2013)	57	-	-	-
CEO - Christer Engnér	995	-	-	458
Board member Magnus Jonsson	46	-	-	-
Board member Bengt-Göran Persson	26	-	-	-
Board member Hans Martin	28	-	-	-
Board member Jan Carlsson	52	-	-	-
Board member Karl-Johan Pettersén	60	-	-	-
Total	1 309	-	-	458

	Financial instruments etc	Other remunerations	Total	Pension obligations
Chairman - Lennart Ivarsson (from 13th of June- 2013)	-	267	312	-
Chairman - Gunnar Boman (to 13th of June- 2013)	-	-	57	-
CEO - Christer Engnér	-	-	1 453	-
Board member Magnus Jonsson	-	9	55	-
Board member Bengt-Göran Persson	-	4	30	-
Board member Hans Martin	-	-	28	-
Board member Jan Carlsson	-	21	73	-
Board member Karl-Johan Pettersén	-	15	75	-
Total	-	316	2 083	-

Note 5 Operational leasing - lessee

	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Group		
<i>Assets from operational lease agreements</i>		
Total lease expenses	303	250
Agreed future minimum lease payments from non cancellable agreements that are due:		
within a year	-	38
between one and five years	115	-
Parent company		
<i>Assets from operational lease agreements</i>		
Total lease expenses	303	250
Agreed future minimum lease payments from non cancellable agreements that are due:		
within a year	-	38
between one and five years	115	-

Note 6 Tax on this years profit or loss

	2014-01-01 2014-12-31	2013-01-01 2013-12-31
Group		
Current tax	-210	-93
Deferred tax	33	301
	-177	208
Parent company		
Current tax	-	-
Deferred tax	-	-
	-	-

Note 7 Land and Buildings

	<i>Group</i>	<i>Parent company</i>
<i>Accumulated cost</i>		
At beginning of the year	730	730
	<u>730</u>	<u>730</u>
<i>Accumulated depreciation</i>		
At beginning of the year	-101	-101
Depreciation for the year	-11	-11
	<u>-112</u>	<u>-112</u>
Net book value at end of year	618	618
whereof land	145	145

Note 8 Leasehold improvements

	<i>Group</i>	<i>Parent company</i>
<i>Accumulated cost</i>		
At beginning of the year	2 220	2 220
	<u>2 220</u>	<u>2 220</u>
Write downs by rural support	-65	-65
<i>Accumulated depreciation</i>		
At beginning of the year	-1 025	-1 025
Depreciation for the year	-103	-103
	<u>-1 193</u>	<u>-1 193</u>
Value at the end of the year	1 027	1 027

Note 9 Plant and machinery

	<i>Group</i>	<i>Parent company</i>
<i>Accumulated cost</i>		
At beginning of the year	15 427	15 427
Acquisitions	-	-
Divestments and disposals	-70	-70
	<u>15 357</u>	<u>15 357</u>
Write downs by rural support	-1 250	-1 250
<i>Accumulated depreciation</i>		
At beginning of the year	-10 793	-10 793
Depreciation for the year	-1 095	-1 095
	<u>-13 138</u>	<u>-13 138</u>
Value at the end of the year	2 219	2 219

Note 10 Equipment, tools, fixtures and fittings

	<i>Group</i>	<i>Parent company</i>
<i>Accumulated cost</i>		
At beginning of the year	14 445	13 976
Acquisitions	848	714
Exchange rate differences	59	-
	<u>15 352</u>	<u>14 690</u>
Write downs by rural support	-356	-356
<i>Accumulated depreciation</i>		
At beginning of the year	-10 141	-10 037
Depreciation for the year	-1 519	-1 414
	<u>-12 016</u>	<u>-11 807</u>
Value at the end of the year	3 336	2 883

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

	<i>Group</i>	<i>Parent company</i>
At beginning of the year	1 307	1 307
Reclassifications	-1 307	-1 307
Acquisitions	1 060	1 060
Value at the end of the year	1 060	1 060

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 16% of the sales represents transactions to and from other group companies.

Note 13 Investments in group companies

	<i>2014-12-31</i>	<i>2013-12-31</i>
<i>Accumulated cost</i>		
At beginning of the year	2 669	2 669
Total	2 669	2 669

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
			<u>2 669</u>

Note 14 Other long- term receivables

	<i>Group</i>	<i>Parent company</i>
<i>Accumulated cost</i>		
At beginning of the year	3 274	3 274
Exchange rate differences	-3254	-3254
Value at year end	20	20

Note 15 Prepaid expenses and accrued income

	<i>Group</i>	<i>Parent company</i>
2014		
Prepaid rental fees	123	123
Prepaid leasing fees	77	77
Prepaid insurances	222	222
Others	564	485
Total	986	907
2013		
Prepaid rental fees	116	116
Prepaid leasing fees	86	86
Prepaid insurances	565	565
Others	410	412
Total	1 177	1 179

Note 16 Cash and bank

	<i>2014-12-31</i>	<i>2013-12-31</i>
Group		
<i>The following cash and bank items are included:</i>		
Cash and bank	9 577	3 710
	9 577	3 710
Parent Company		
<i>The following cash and bank items are included:</i>		
Cash and bank	6 818	2 091
	6 818	2 091

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 17 Other information about the cash flow statement

	<i>2014-12-31</i>	<i>2013-12-31</i>
Group		
Depreciation	2 798	2 843
Write down adjustments	3 254	-
Other depositions	457	-57
Balance at end of year	6 509	2 786
Parent company		
Depreciation	2 692	2 760
Write down adjustments	3 254	-
Other depositions	456	-56
Balance at end of year	6 402	2 704

Note 18 Equity

	Share capital	Other added capital	Reserves	
Group				
At beginning of the year	555	-	2 925	
Effect of correction	-	-	236	
Adjusted value 2014-01-01	555		3 161	
Changes in values accounted for as equity				
Exchange rate differences	-	-	480	
Summary	-	-	480	
Transactions with owners of the company				
Summary	-	-	-	
Re-distribution of items in equity				
Summary	-	-	-	
Restricted equity 2014-12-31	555	-	3 641	
		Retained surplus	Minority interest	
Group				
At beginning of the year 2014-01-01		37 419	-	
Exchange rate difference of beginning value		-	-	
Effect of correction		185	-	
Adjusted value - beginning of the year		37 604	-	
Net profit for the year		-1 867		
		-1 867		
Changes in values accounted for as equity				
Exchange rate differences		-22	-	
Summary		-22	-	
Transactions with owners of the company				
Summary		-	-	
Re-distribution of items in equity				
Summary		-	-	
Non restricted equity 2014-12-31		35 715	-	
	Share capital	Reserve fund	Revaluation fund	Non restricted capital
Parent company				
At beginning of the year	555	1015	2 090	38 332
Net loss for the year				-2 002
At end of the year	555	1015	2 090	36 330

Note 19 Others provisions

	<i>Group</i>	<i>Parent company</i>
<hr/>		
<i>2014-12-31</i>		
Warranty provisions	2 057	2 057
Total	2 057	2 057
<i>2013-12-31</i>		
Warranty provisions	1 600	1 600
Total	1 600	1 600

Note 20 Invoiced but not recognized income

	<i>2014-12-31</i>	<i>2013-12-31</i>
<hr/>		
Contractual work		
Group		
Completed profit recognition - income	1 290	-
Completed profit recognition - expenses	910	-
	<u>2 200</u>	<u>-</u>
Parent company		
Completed profit recognition - income	1 290	-
Completed profit recognition - expenses	910	-
	<u>2 200</u>	<u>-</u>

The total contractual costs are expected to exceed the total income for the contractual work with 2 200 kSEK. The recognized income at the 31st of December 2014 was 7 580 kSEK while the invoiced amount was 8 870 kSEK.

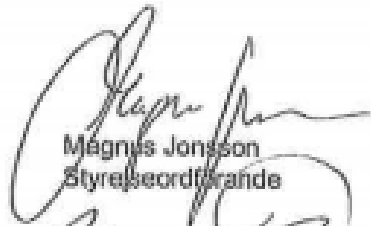
Income from contractual work in regards to fixed price contracts is accounted for by calculating the completed percentage of the project. The calculation is done by comparing the completed work to date to the total planned work.

Note 21 Accruals and deferred income

	<i>Group</i>	<i>Parent company</i>
<hr/>		
<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>
<i>2013-12-31</i>		
Accrued personnel costs	8 016	8 016
Others	2 964	2 965
	<u>10 980</u>	<u>10 981</u>

Underskrifter

Delsbo den 5/5-2015



Magnus Jonsson
Styrelseordförande



Bengt-Göran Persson
Ledamot



Jan Carlsson
Ledamot



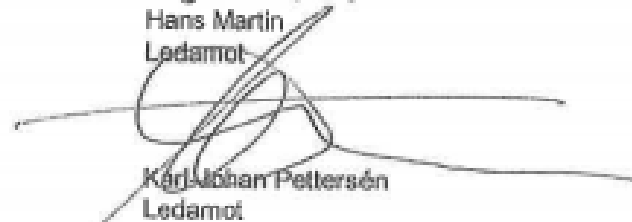
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Arbetslagarepresentant



Lennart Ivarsson
Verkställande direktör



Hans Martin
Ledamot



Karl Johan Pettersén
Ledamot



Peter Kjellin
Arbetslagarepresentant

Vår revisionsberättelse har lämnats den 2015-05-20

KPMG AB



Lars Skoglund
Auktoriserad revisor