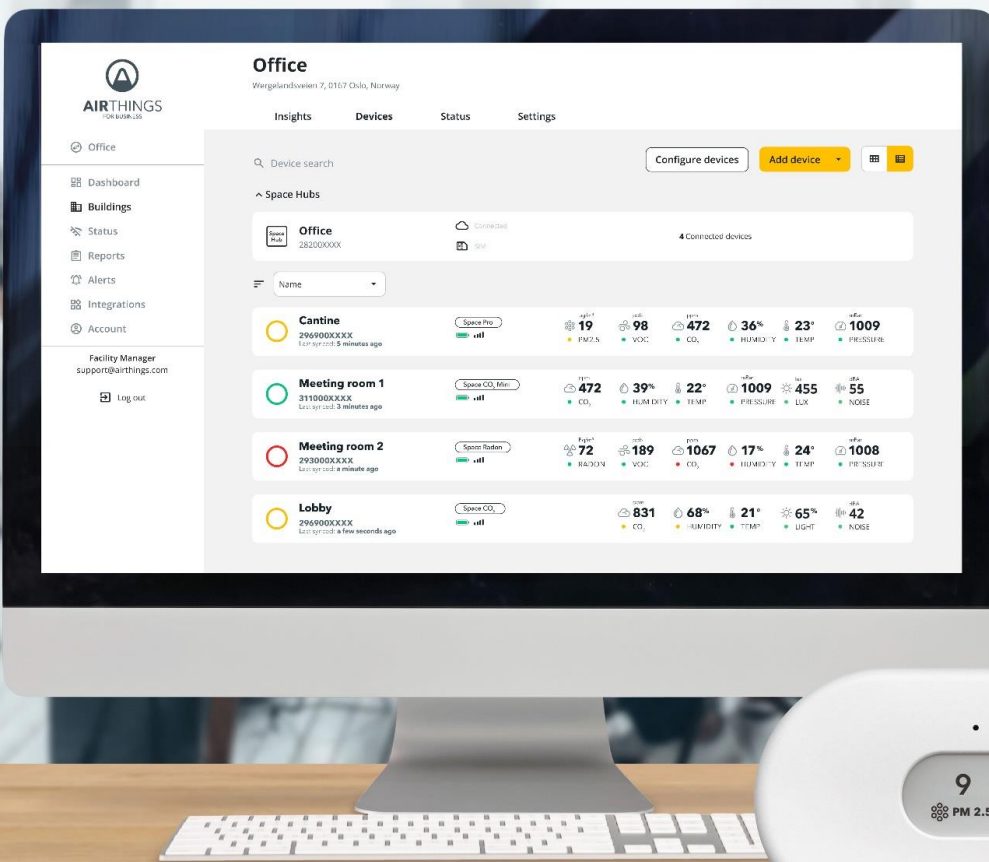




# 1Q Report 2023



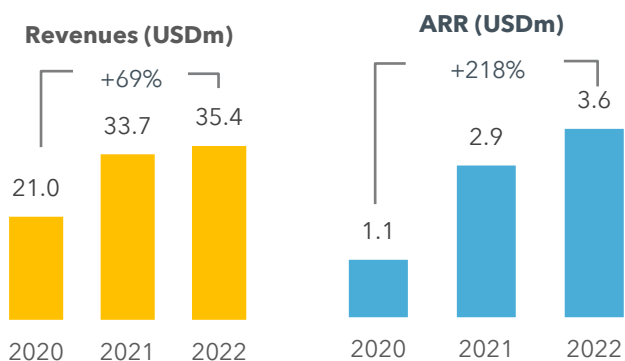


# Airthings at a glance

**A hardware-enabled software company solving real issues**

- Global leader in indoor air quality solutions
- Serving consumers, businesses, and professionals
- Empowering the world to breathe better

## Robust growth



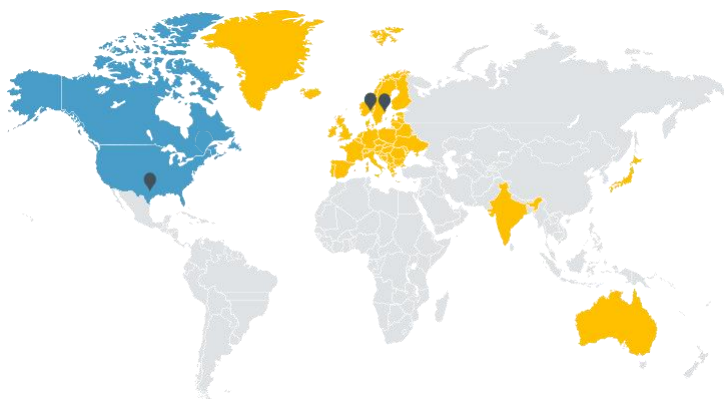
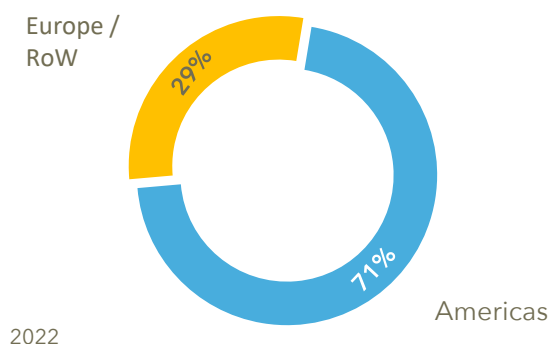
**Supported by lasting factors & megatrends**



## Delivering elegant products and actionable insights



## International and expanding presence



# Key highlights

1

Successful inventory reduction of  
**USD 1.6m**

from promotional activities and reduced inbound inventories

2

Growing end-customer demand with  
**30% YoY growth in 1Q**

For new device registrations for connected smart devices in the Consumer segment

3

Launched  
**New Consumer website**

the worlds most trusted business sustainability ratings organization

4

Secured  
**NOK 41m**

in grant and loan from Innovation Norway to support further R&D efforts<sup>1</sup>

1. Not reflected in 1Q financials

5

1Q sales revenue of  
**USD 8.8m**

down 3% year-on-year

6

1Q sales gross profit of  
**USD 4.9m**

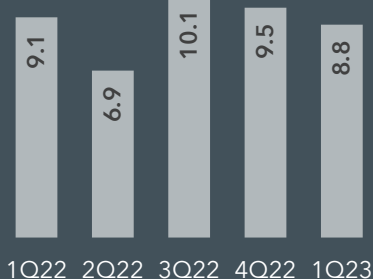
gross profit margin of 56%

7

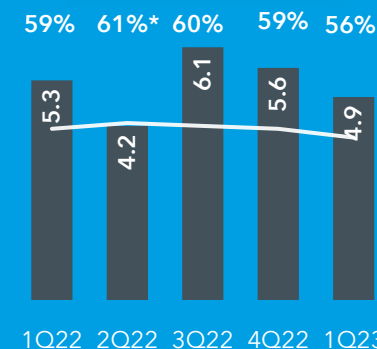
Total ARR reached  
**USD 4.0m**

up 27% year-on-year

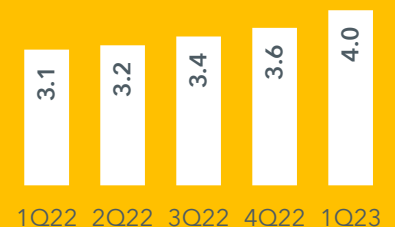
GROUP SALES REVENUE  
(USDm)



SALES GROSS PROFIT  
(USDm)



ANNUAL RECURRING REVENUE  
(USDm)



# Operational review

## Revenue and margin development

Airthings recorded sales revenue of USD 8.8 million in 1Q23, down 3% year-on-year and 7% quarter-on-quarter.

The Consumer segment showed revenue growth both year-on-year and quarter-on-quarter, supported by high promotional activities. The overall decline in revenues reflected a slow quarter for Airthings for Business.

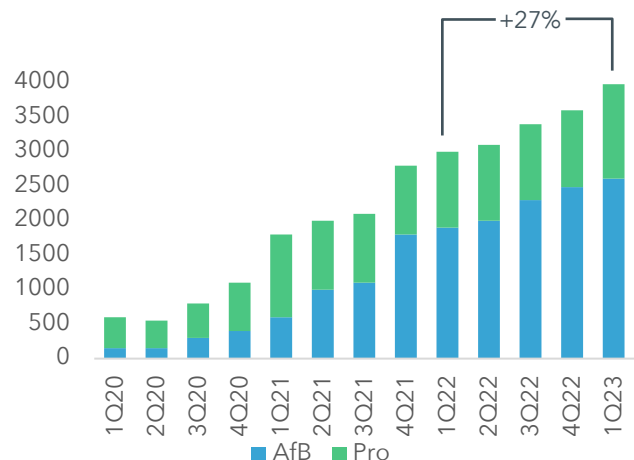
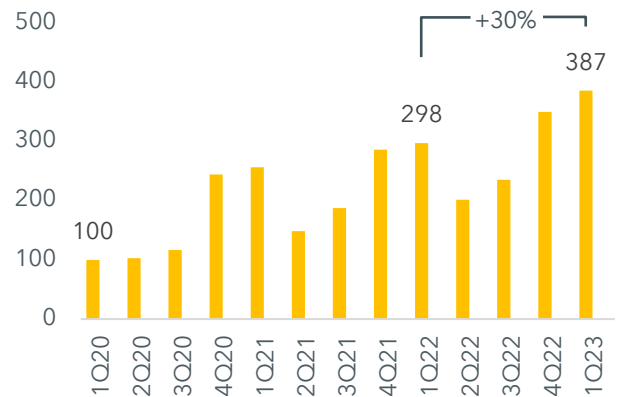
End-customer demand remains relatively strong, with Consumer new device registrations from smart products increasing 30% year-on-year. This figure was supported, however, by high levels of promotional activity in the quarter.

As communicated in the previous quarterly report, this high level of promotional activity had an adverse effect on gross margins in the Consumer segment. As a result, overall Gross Profit came in at USD 4.9 million in 1Q23, corresponding to a gross profit margin (GPM) of 56% for the quarter compared to 59% in both 1Q22 and 4Q22.

## Annual recurring revenue (ARR)

Annual Recurring Revenue (ARR) came in at USD 4.0 million in 1Q23, representing 27% growth year-on-year. The year-on-year increase is mainly reflective of the strong growth achieved in Airthings for Business throughout 2022. The gross margin from ARR revenue remains >80%.

Consumer Device Registrations  
(Indexed - 1Q2020 = 100)



## Brand awareness

Airthings continues to reinforce its brand as a leading indoor air quality (IAQ) company with a wide-reaching marketing profile, supported by global megatrends emphasizing the importance of healthy indoor air quality and sustainable practices. The latest installment of the Airthings Masters was held in 1Q, proving to be the most successful event yet. The tournament yielded more than 11 million live views, wide social media attention, and increased traction for the Wave Plus which was promoted throughout the Champions Chess Tour.

In the first quarter, Airthings continued to expand its offering towards consumers and businesses with new releases promoted at key industry events. Airthings launched a new consumer website as a step towards increasing direct sales through internal channels. The new consumer app was launched at CES, the world's leading consumer electronics show in Las Vegas, and the Airthings for Business Energy Efficiency Toolkit was promoted at AHR in Atlanta, the world's largest HVAC event. Furthermore, the quality of Airthings products continue to be recognized and externally validated, most recently by being listed in Fortune 25 Top Healthy and Wellness products for 2023





## Outlook and guidance

Airthings reported revenue of USD 8.8 million in Q1 2023, which was at the lower end of the guidance range outlined in connection with the fourth quarter results. Consumer revenue

increased by 4% year-on-year to USD 6.4 million, although growth in the number of device registrations remained stronger at 30% year-on-year. Airthings for Business (AfB) had a relatively slow quarter with revenue of USD 1.7 million, whereas Airthings for Professionals reported revenue of USD 0.6 million. The ARR of USD 4.0 million was at the high end of the guidance range.

USDm	Revenue and ARR Guidance 2Q23
Revenue	7.0 - 9.0
ARR	4.0 - 4.3

The revenue development reflects a weaker consumer sentiment, continued caution by distributors and retailers to hold inventory, and a guarded investment environment in the business segment. Airthings expects that a relatively bleak short-term economic outlook, combined with seasonality effects, will continue to put a damper on revenue into the second quarter of the year as well. The second quarter was however the weakest revenue quarter last year, and therefore the revenue guidance range of USD 7-9 million for Q2 2023 corresponds to year-on-year revenue growth of 2-31%. ARR is expected to increase to USD 4.0-4.3 million at the end of Q2 2023, up 25-34% year-on-year. Efforts to bring down own inventories will continue, and the campaign activity should be expected to continue to affect gross margins. In parallel with sales activities to reduce inventories, Airthings has also successfully negotiated significant reductions in inbound inventories with key suppliers due to muted short-term growth expectations.

Significant time and capacity were used in the first quarter to evaluate Airthings's historical approach and identify areas for improvement, with the result being a refinement of Airthings's strategy focused on three key pillars:

- i. Honing the go-to-market strategy to better own the customer relationship, move towards being digital-first, enhance scalability and improve unit economics
- ii. Reinforcing a product focus centered around a software-first mentality that strives to create awesome customer experiences and sell more to existing customers
- iii. Improving the operating model by automating back-end processes and routines to properly enable growth and drive down variable and fixed costs

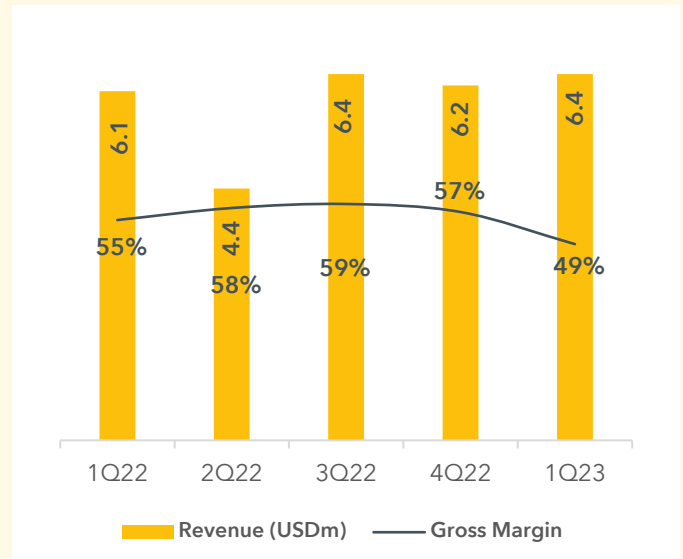
While it will take time to fully see the effects of this adjustment in Airthings's strategic direction, it is expected to already start bearing fruit by the second half of 2023 and better position the company to achieve its profitable long-term growth ambitions.

# Segment overview

## Airthings for Consumer

Revenue from Airthings for Consumer came in at USD 6.4 million in 1Q23. Although revenue remains well below peak levels, this represented an increase of 4% both year-on-year and quarter-on-quarter.

The Consumer segment continues to see strong growth in device registrations for connected products, up 30% year-on-year in the first quarter. This remains an indication of strong sell-through to end-customers and healthy end-customer demand, although, as noted, the growth figure was boosted by the high levels of promotional activity during the quarter.



As part of the refinement of Airthings's overall strategy, the Consumer segment will have a heightened focus on improving sales through its own channel. An important first step toward this goal was the launch of a revamped Consumer website which is better optimized for conversion. Going forward the website will be continuously optimized via A/B tests and other initiatives.

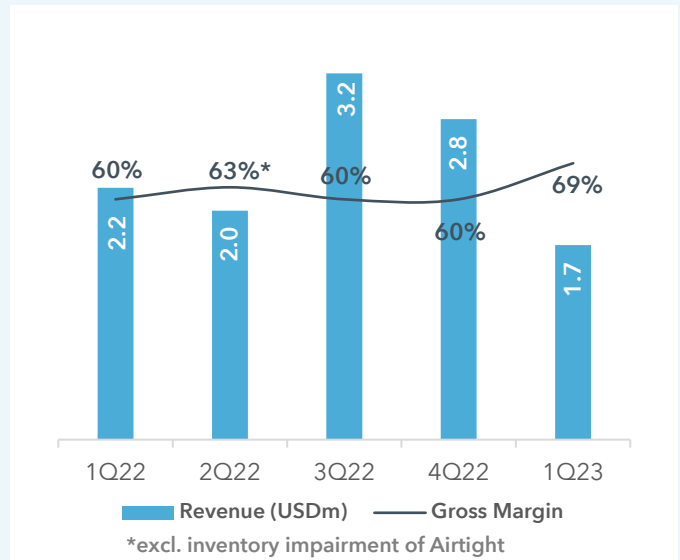
The company communicated in the quarterly report for the fourth quarter 2022 that it would run campaigns to reduce inventory and that this could adversely affect gross margins. As it were, gross margins for the Consumer segment came in at USD 3.1 million in 1Q23 with a gross profit margin of 49%. This compares to 55% in 1Q22 and 57% in 4Q22. Given continued elevated inventory levels, the company plans to continue its promotional activities in the second quarter as well.

## Airthings for Business (AfB)

Revenue from Airthings for Business came in at USD 1.7 million in 1Q23, down 23% year-on-year and 39% quarter-on-quarter. The quarter-on-quarter decline compares to a particularly strong 4Q22 due to shipments to a large global enterprise customer and 1Q23 being a relatively quiet quarter for AfB, with no new major contract deliveries.

The number of devices in the field increased by approximately 10% from the fourth quarter and is up 86% from a year ago.

Gross profit for Airthings for Business came in at USD 1.2 million in 1Q23, with a gross margin of 69%. This compares to 60% in both 1Q22 and 4Q22.



Airthings is currently focusing its promotional efforts on the customers' energy savings potential from using Airthings' products, which appeals to the many businesses in cost savings mode in the current economic environment. The company launched its Energy Efficiency Toolkit in January, the first of many new dynamic tools focusing on energy waste and specifically designed to optimize cost savings through identifying unnecessary, wasteful energy expenditures. Buildings use 40% of the world's energy, and 30% of that comes from heating, ventilation, cooling and lights.

Although businesses currently are generally reluctant to make investment commitments, Airthings sees good traction in a number of areas. During the first quarter we won a project with a major Ivy League university in the US as well as started a large rollout with one of the global top-tier service and consultancy companies. We also see continued success with Norwegian municipalities. One example is Hamar who, based on the data and insights from Airthings, reduced their energy consumption with 2 million kWh from 2021 to 2022.

*"Without Airthings sensors in our buildings, control of the buildings is basically done in the blind. In addition, the indoor climate in the buildings has improved. The Airthings solution has become a very important tool to improve indoor environments and energy consumption at Hamar Municipality"*

- Magnar Hommerstrand, Director of Energy and Technical Installations

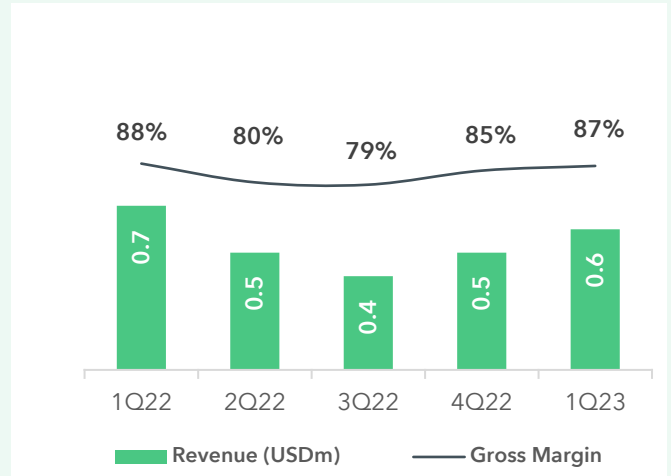
Airthings' systems have now been installed across more than 80 Norwegian municipalities. Norwegian municipalities have emerged as proof points for the high return on investment in Airthings products, and these case studies will be leveraged in sales activities internationally going forward.



## Airthings for Professionals

Sales revenue from the PRO segment reached USD 0.6 million in 1Q23, reflecting a continued challenging US home inspector market.

Gross profit from the Pro segment was USD 0.5 million in the quarter, with a margin of 87%. This compares with 88% in 1Q22 and 85% in 4Q22



*Oslo, 3 May 2023*



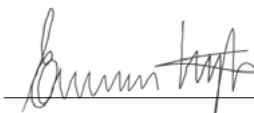
**Geir Førre**  
Chairman of the Board



**Liv Dyrnes**  
Board Member



**Lars Boilesen**  
Board member



**Emma Tryti**  
Board member



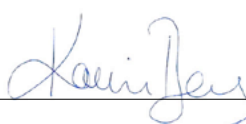
**Niklas Norin**  
Board member



**Chloe Waller**  
Board member



**Fredrik Thoresen**  
Board member



**Karin Berg**  
Board member



**Aksel Lund Svindal**  
Board member



**Øyvind Birkenes**  
CEO

# Financials



# Financial highlights (IFRS)

Key financials (USD 1,000)	1Q 2023	1Q 2022	Δ	2022
Total revenue	8,752	9,062	-3%	35,424
Gross profit	4,865	5,327	-9%	20,959
Gross margin	56%	59%		59%
EBITDA	-3,206	-3,434		-11,785
EBIT	-3,593	-3,809		-14,662
Profit (loss) before tax	-2,605	-4,097		-13,697
Annual Recurring Revenue	3,984	3,144	27%	3,602

## Consolidated statement of profit or loss

For details related to revenue and gross profit, please see 'Operational review' and "Segments".

**Operating expenses** for the group came in at USD 8.1 million in 1Q23, down 7% YoY.

**EBITDA** came in at negative USD 3.2 million in the quarter.

**Depreciation, amortization** during 1Q23 was USD 0.4 million driven by depreciation of right-of-use assets for the period for leases recognized under IFRS 16 (see note 7).

**EBIT** came in at negative USD 3.6 million in 1Q23.

**Net financial** items consist primarily of exchange rate fluctuations between USD and NOK and interest expense on the IFRS 16 lease liability.

**Profit (loss) before taxes** was a loss of USD 2.6 million in 1Q23.

**Tax income** was USD 0.5 million in 1Q23 (see note 8). This resulted in a **net loss** of USD 2.1 million in 1Q23.

## Consolidated statement of financial position

**Total assets** at the end of 1Q23 were USD 65.6 million, split between non-current assets is USD 16.4 million, and current assets of USD 49.1 million. Non-current assets are mainly made up of goodwill, deferred tax assets and right of use assets. Current assets are mainly made up of USD 15.4 million in cash and cash equivalents, inventories and trade receivables. Inventory was reduced by USD 1.6 million during the quarter (an increase of USD 4.2 million year-on-year). The company will continue its heightened focus on improving its working capital situation going forward.

The book value of equity is USD 52.9 million. This equates to an equity ratio of 80.7% (end 2022: 79.9%)

**Total liabilities** were USD 12.7 million at the end of Q1 2023.

Non-current liabilities is mainly made up of lease liabilities. Lease liabilities reflects the non-current and current portion of the lease liability recognized for leasing of office space under IFRS 16. Other current liabilities consist of deferred revenue related to subscription service, public duty taxes, personnel related accruals and other accrued expenses during the quarter.

## Consolidated statement of cash flows

### **Total cash and cash equivalents balance**

increased by USD 2.2 million from 4Q22 to USD 15.4 million. Primarily driven by a capital increase during the quarter. The Group raised NOK 75 million in gross proceeds through a private placement of 23,437,500 shares.

**Cash flow from operating activities** came in at negative USD 3.2 million in 1Q23 mainly driven by a profit before tax.

**Cashflow from investment activities** was negative USD 0.4 million in 1Q23 due to capitalization of development costs.

**Cashflow from financing activities** was positive USD 6.9 million in 1Q23 driven by proceeds from issuance of equity.

# Consolidated statement of profit or loss

Amounts in USD 1,000	Notes	Unaudited		Audited
		1Q 2023	1Q 2022	
Revenues	4, 5	8,752	9,062	35,424
Other operating income		0	0	0
<b>Total revenue and other operating income</b>		<b>8,752</b>	<b>9,062</b>	<b>35,424</b>
Cost of goods sold	7	3,887	3,735	14,465
Employee benefit expenses	6	4,172	4,432	16,654
Other operating expenses	6	3,899	4,329	16,090
<b>Operating profit or loss before depreciation &amp; amortization (EBITDA)</b>		<b>-3,206</b>	<b>-3,434</b>	<b>-11,785</b>
Depreciation, amortization and impairment	7	387	375	2,877
<b>Operating profit or loss (EBIT)</b>		<b>-3,593</b>	<b>-3,809</b>	<b>-14,662</b>
<b>Net financial items</b>		<b>988</b>	<b>-288</b>	<b>965</b>
<b>Profit (loss) before tax</b>		<b>-2,605</b>	<b>-4,097</b>	<b>-13,697</b>
Income tax expense	8	-524	-996	-3,131
<b>Profit (loss) for the period</b>		<b>-2,081</b>	<b>-3,131</b>	<b>-10,566</b>
<b>Profit (loss) for the year attributable to:</b>				
Equity holders of the parent company		-2,081	-3,131	-10,566
<b>Earnings per share:</b>				
Basic earnings per share	11	-0.01	-0.02	-0.06
Diluted earnings per share	11	-0.01	-0.02	-0.06



# Consolidated statement of comprehensive income

Amounts in USD 1,000	Notes	Unaudited		Audited
		1Q 2023	1Q 2022	2022
<b>Profit (loss) for the period</b>		<b>-2,081</b>	<b>-3,131</b>	<b>-10,566</b>
<b>Other comprehensive income:</b>				
<i>Items that subsequently will not be reclassified to profit or loss:</i>				
Exchange differences on translation of parent company		-3,213	530	-7,025
<b>Total items that will not be reclassified to profit or loss</b>		<b>-3,213</b>	<b>530</b>	<b>-7,025</b>
<i>Items that subsequently may be reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations		2	-1	0
<b>Total items that may be reclassified to profit or loss</b>		<b>2</b>	<b>-1</b>	<b>0</b>
<b>Other comprehensive profit (loss) for the period</b>		<b>-3,211</b>	<b>529</b>	<b>-7,025</b>
<b>Total comprehensive profit (loss) for the period</b>		<b>-5,292</b>	<b>-2,602</b>	<b>-17,590</b>
<b>Total comprehensive profit (loss)</b>				
Equity holders of the parent company		-5,292	-2,602	-17,590

# Consolidated statement of financial position

Amounts in USD 1,000	Notes	Unaudited		Audited
		31.03.2023	31.03.2022	31.12.2022
ASSETS				
Non-current assets				
Goodwill	7	2,702	3,236	2,872
Intangible assets	7	2,599	2,884	2,459
Deferred tax assets	8	7,246	5,523	7,108
Property, plant and equipment		752	893	830
Right-of-use assets		3,004	4,160	3,140
Other non-current assets	12	129	682	132
Total non-current assets		16,432	17,377	16,541
Current assets				
Inventories		17,116	12,947	18,713
Trade receivables		10,378	10,321	11,099
Other receivables		6,204	4,004	4,115
Cash and cash equivalents	9	15,427	34,607	13,274
Total current assets		49,126	62,879	47,202
TOTAL ASSETS		65,558	80,256	63,742

Amounts in USD 1,000	Notes	Unaudited		Audited
		31.03.2023	31.03.2022	31.12.2022
EQUITY AND LIABILITIES				
Equity				
Share capital	10	215	190	192
Share premium		86,362	78,784	78,979
Other capital reserves		2,200	1,814	2,068
Other equity		-35,888	-15,323	-30,311
Total equity		52,890	65,465	50,928
Non-current liabilities				
Non-current lease liabilities		2,396	3,636	2,554
Non-current provisions	12	119	682	125
Total non-current liabilities		2,515	4,317	2,679
Current liabilities				
Current lease liabilities		864	779	850
Trade and other payables		6,207	7,173	6,177
Contract liabilities		1,360	963	1,111
Income tax payable		36	10	60
Current provisions		1,686	1,550	1,963
Total current liabilities		10,153	10,473	10,136
Total liabilities		12,668	14,791	12,815
TOTAL EQUITY AND LIABILITIES		65,558	80,256	63,742

Oslo, 3 May 2023

 <b>Geir Førrø</b> Chairman of the Board	 <b>Liv Dyrnes</b> Board Member	 <b>Lars Boilesen</b> Board member
 <b>Emma Tryti</b> Board member	 <b>Niklas Norin</b> Board member	 <b>Chloe Waller</b> Board member
 <b>Fredrik Thoresen</b> Board member	 <b>Karin Berg</b> Board member	 <b>Aksel Lund Svindal</b> Board member
 <b>Øyvind Birkenes</b> CEO		

# Consolidated statement of cash flows

Amounts in USD 1,000	Notes	Unaudited 1Q 2023	Unaudited 1Q 2022	Audited 2022
<b>Cash flows from operating activities</b>				
<b>Profit (loss) before tax</b>		<b>-2,605</b>	<b>-4,097</b>	<b>-13,697</b>
<i>Adjustments to reconcile profit before tax to net cash flows:</i>				
Net financial items		-988	288	-965
Depreciation, amortization and impairment	7	387	375	-2,877
Share-based payment expense	12	133	110	364
<i>Working capital adjustments:</i>				
Changes in inventories		1,597	-1,518	-7,284
Changes in trade and other receivables		-1,368	-587	-1,476
Changes in trade and other payables and contract liabilities		279	215	-633
Changes in provisions		-604	-1,185	-1,354
<b>Net cash flows from operating activities</b>		<b>-3,169</b>	<b>-6,400</b>	<b>-22,169</b>
<b>Cash flows from investing activities</b>				
Development expenditures	7	-413	-477	-2,145
Purchase of property, plant and equipment		-26	-144	-341
Interest received		22	0	258
<b>Net cash flow from investing activities</b>		<b>-417</b>	<b>-620</b>	<b>-2,228</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of equity	10	7,122	115	312
Payments for the principal portion of the lease liability		-185	-184	-698
Payments for the interest portion of the lease liability		-45	-57	-201
<b>Net cash flows from financing activities</b>		<b>6,892</b>	<b>-126</b>	<b>-586</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,306</b>	<b>-7,146</b>	<b>-24,983</b>
Cash and cash equivalents beginning of the period		13,274	42,174	42,174
Net foreign exchange difference		-1,154	578	-3,917
<b>Cash and cash equivalents at end of the period</b>		<b>15,427</b>	<b>35,607</b>	<b>13,274</b>

# Consolidated statement of changes in equity

Amounts in USD 1,000	Share capital	Share premium	Other capital reserves	Other equity		Total equity
				Cumulative Retained earnings	translation differences	
<b>Equity 31 December 2021</b>	<b>190</b>	<b>78,669</b>	<b>1,704</b>	<b>1,962</b>	<b>-14,683</b>	<b>67,842</b>
Profit (loss) for the period					-3,131	-3,131
Other comprehensive profit (loss)				529		529
<b>Total comprehensive profit (loss)</b>				<b>529</b>	<b>-3,131</b>	<b>-2,602</b>
Capital increase (note 10)	1	115				115
Share-based payments (note 12)			110			110
<b>Equity 31 March 2023</b>	<b>190</b>	<b>78,784</b>	<b>1,814</b>	<b>2,491</b>	<b>-17,814</b>	<b>65,465</b>

Amounts in USD 1,000	Share capital	Share premium	Other capital reserves	Other equity		Total equity
				Cumulative Retained earnings	translation differences	
<b>Equity 31 December 2022</b>	<b>192</b>	<b>78,979</b>	<b>2,068</b>	<b>-5,062</b>	<b>-25,248</b>	<b>50,928</b>
Profit (loss) for the period					-2,081	-2,081
Other comprehensive profit (loss)				-3,211		-3,211
<b>Total comprehensive profit (loss)</b>				<b>-3,211</b>	<b>-2,081</b>	<b>-5,292</b>
Capital increase (note 10)	23	7,383				7,406
Transaction cost share issues					-285	-285
Share-based payments (note 12)			133			133
<b>Equity 31 March 2023</b>	<b>215</b>	<b>86,362</b>	<b>2,200</b>	<b>-8,274</b>	<b>-27,614</b>	<b>52,890</b>

# Notes

## **Note 1: Corporate information**

Airthings ASA ('the Company') is a publicly listed company on Oslo Stock Exchange, with the ticker symbol AIRX. Airthings ASA is incorporated and domiciled in Norway with principal offices located at Wergelandsveien 7, 0167 Oslo, Norway.

Airthings and its subsidiaries (collectively 'the Group', or 'Airthings') develop and produce solutions for monitoring indoor air quality, radon and energy efficiency. The Group sells its products and solutions to consumers and businesses around the world.

The interim consolidated financial statements of the Group for the period ended 31 March 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 3 May 2023.

Reference is made to note 4.1 in the Group's consolidated financial statements for the year ended 31 December 2022 for a list of subsidiaries.

## **Note 2: Basis of preparation and significant accounting policies**

The interim consolidated financial statements of the Group comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and selected explanatory notes. The interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union ('EU').

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with Airthings' 2022 consolidated financial statements as of 31 December 2022. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of Airthings' consolidated annual financial statements for the year ended 31 December 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The interim consolidated financial statements have been prepared on a historical cost basis. All figures are presented in United States dollar ('USD') thousands (USD 1,000), except when otherwise stated.

Further, the interim consolidated financial statements are prepared based on the going concern assumption. The macroeconomic environment has proven challenging throughout 2022 and into 2023 with increasing interest rates and inflation causing uncertainty and reduced consumer confidence.

Consequently, retailers and distribution partners have reduced inventory coverage to lower their capital burden and reduce risk exposure. The Board continues to monitor the situation carefully to ensure appropriate measures are taken as the situation continues to unfold through 2023.



#### *Presentation currency and functional currency*

Airthings ASA has Norwegian krone ('NOK') as its functional currency and its subsidiaries have SEK or USD as their functional currencies. The Group presents its consolidated financial statements in USD to provide the primary users of the financial statements with more convenient information. When converting from NOK to USD large items on the balance sheet, such as Equity and Cash and cash equivalents, may show significant unrealized differences when the exchange rate between these two currencies fluctuates substantially.

#### **Note 3: Significant accounting judgements, estimates and assumptions**

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

In preparing the interim consolidated financial statements, the significant judgments, estimates and assumptions made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those applied to Airthings' annual financial statements for the year ended 31 December 2022.

## Note 4: Operating segments

For management purposes, the Group is organized into business areas based on its different markets and has three reportable segments, as follows:

- Consumer - private customers
- Business - business customers such as schools, office buildings and other commercial buildings
- Professional - professional customers such as home inspectors and certified radon professionals

No operating segments have been aggregated to form the above reportable operating segments.

The Board of Directors is the Group's chief operating decision maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA measured consistently with operating profit or loss before depreciation and amortization. The Group's financing (including finance costs and finance income), depreciation and amortization and income taxes are managed on a Group basis and are not allocated to operating segments.

Group functions

The remaining of the Group's activities and business are shown in the 'Group functions' column in the tables below.

These activities mainly relate to R&D, marketing and administrative functions of the Group.

1Q 2023 (USD 1,000)	Consumer	Business	Professional	Group functions	Consolidated IFRS
<b>REVENUES &amp; PROFIT</b>					
External customers	6,401	1,735	616		8,752
Other operating income					
<b>Total revenue</b>	<b>6,401</b>	<b>1,735</b>	<b>616</b>		<b>8,752</b>
Cost of goods sold	3,268	538	81		3,887
Employee benefit expenses	621	1,121	75	2,355	4,172
Other operating expenses	1,744	205	139	1,811	3,899
<b>EBITDA</b>	<b>769</b>	<b>-129</b>	<b>321</b>	<b>-4,166</b>	<b>-3,206</b>

1Q 2022 (USD 1,000)	Consumer	Business	Professional	Group functions	Consolidated IFRS
<b>REVENUES &amp; PROFIT</b>					
External customers	6,135	2,240	687		9,062
Other operating income					
<b>Total revenue</b>	<b>6,135</b>	<b>2,240</b>	<b>687</b>		<b>9,062</b>
Cost of goods sold	2,762	887	84		3,735
Employee benefit expenses	493	1,053	30	2,856	4,431
Other operating expenses	812	368	84	3,065	4,329
<b>EBITDA</b>	<b>2,067</b>	<b>-68</b>	<b>48</b>	<b>-5,921</b>	<b>-3,434</b>

2022 (USD 1,000)	Consumer	Business	Professional	Group functions	Consolidated IFRS
<b>REVENUES &amp; PROFIT</b>					
External customers	23,037	10,313	2,075		35,424
Other operating income					
<b>Total revenue</b>	<b>23,037</b>	<b>10,313</b>	<b>2,075</b>		<b>35,424</b>
Cost of goods sold	9,871	4,254	340		14,465
Employee benefit expenses	2,046	3,934	323	10,351	16,654
Other operating expenses	3,830	1,091	687	10,482	16,090
<b>EBITDA</b>	<b>7,291</b>	<b>1,033</b>	<b>724</b>	<b>-20,833</b>	<b>-11,785</b>

## Note 5: Revenue

Airthings Group is a manufacturer of air quality sensors and hardware-enabled software products for air quality, radon measurement and energy efficiency solutions. The Group's revenue from contracts with customers are reported in three main segments as described in note 4: Consumer, Business and Professional.

- The consumer segment sells air quality sensors to private customers through retailers and e-commerce.
- The business segment sells air quality solutions to schools, office buildings, and other commercial buildings.
- The professional segment sells measurement solutions which enables inspectors and certified radon professionals to accurately measure, analyze and report on buildings. The professional segment also offers rental of products and calibration services.

Set out below is the disaggregation of the Group's total revenue:

Revenues (USD 1,000)	1Q 2023	1Q 2022	2022
Revenue from contracts with customers	8,649	8,943	34,953
Rental income	103	119	471
<b>Total revenues</b>	<b>8,752</b>	<b>9,062</b>	<b>35,424</b>

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Geographical information (USD 1,000)	1Q 2023	1Q 2022	2022
EMEA	1,851	3,656	10,102
North America (USA and Canada)	6,797	5,287	24,851
<b>Total revenue from contracts with customers</b>	<b>8,649</b>	<b>8,943</b>	<b>34,953</b>

The information above is based on the location of the customers:

Timing of revenue recognition (USD 1,000)	1Q 2023	1Q 2022	2022
Goods transferred at a point in time	7,792	8,306	32,527
Subscription and services transferred over time	857	637	2,427
<b>Total revenue from contracts with customers</b>	<b>8,649</b>	<b>8,943</b>	<b>34,953</b>

## Note 6: Other operating expenses

### Total operating expenses by function

The table below illustrates the Group's employee benefit expenses and other operating expenses by function. These measures are regularly provided to and reviewed by the Board.

Operating expenses (USD 1,000)	1Q 2023	1Q 2022	2022
Sales and marketing	5,073	5,204	19,621
Research and development	1,895	2,048	7,201
General and administrative	1,102	1,509	5,922
<b>Total operating expenses</b>	<b>8,071</b>	<b>8,761</b>	<b>32,744</b>
Number of employees	140	148	137

## Note 7: Intangible assets

Depreciation and amortization expenses includes the monthly charge on property, plant and equipment, intangible assets and right-of-use assets over the assets estimated useful lives or lease term. The depreciation and amortization expenses are recognized on a straight-line basis.

Depreciation, amortization and impairment	1Q 2023	1Q 2022	2022
Depreciation of property, plant and equipment	66	64	269
Depreciation of right-of-use assets	191	205	769
Amortization and impairment of intangible assets (see details in the table below)	130	106	1,838
<b>Total depreciation, amortization and impairment expenses</b>	<b>387</b>	<b>375</b>	<b>2,877</b>

## Nature of the Group's intangible assets

The Group's intangible assets mainly comprise of software and systems, internal development projects and technology acquired through the acquisition of subsidiaries.

(USD 1,000)	Capitalized development costs systems	Software &	Technology	Goodwill <sup>1)</sup>	Total
<b>Acquisition cost as at 31 December 2021</b>		<b>1,129</b>	<b>1,864</b>	<b>3,210</b>	<b>6,203</b>
Additions*	401	76			477
Currency translation effects		12	14	26	52
<b>Acquisition cost as at 31 March 2022</b>	<b>401</b>	<b>1,218</b>	<b>1,877</b>	<b>3,236</b>	<b>6,732</b>
<b>Acquisition cost as at 31 December 2022</b>	<b>1,148</b>	<b>1,171</b>	<b>2,383</b>	<b>2,872</b>	<b>7,574</b>
Additions*	413				413
Currency translation effects	-68	-69	-141	-170	-448
<b>Acquisition cost as at 31 March 2023</b>	<b>1,493</b>	<b>1,102</b>	<b>2,242</b>	<b>2,702</b>	<b>7,539</b>
<b>Accumulated amortization as at 31 December 2021</b>		<b>282</b>	<b>217</b>		<b>499</b>
Amortization charge for the period		64	43		106
Impairment charge for the period					
Currency translation effects		7	1		8
<b>Accumulated amortization as at 31 March 2022</b>		<b>353</b>	<b>261</b>		<b>614</b>
<b>Accumulated amortization as at 31 December 2022</b>		<b>554</b>	<b>1,690</b>		<b>2,244</b>
Amortization charge for the period		95	34		130
Impairment charge for the period					
Currency translation effects		-35	-101		-136
<b>Accumulated amortization as at 31 March 2023</b>		<b>614</b>	<b>1,624</b>		<b>2,238</b>
<b>Net book value:</b>					
<b>At 31 March 2022</b>	<b>401</b>	<b>865</b>	<b>1,617</b>	<b>3,236</b>	<b>6,118</b>
<b>At 31 December 2022</b>	<b>1,148</b>	<b>617</b>	<b>693</b>	<b>2,872</b>	<b>5,330</b>
<b>At 31 March 2023</b>	<b>1,493</b>	<b>488</b>	<b>618</b>	<b>2,702</b>	<b>5,301</b>
Economic life (years)	5	5	5	Indefinite	
Depreciation plan	Straight-line				

\* Development expenditures



## 1) Goodwill

Airthings performed its annual impairment test for goodwill in December 2022 and no impairments were made. The impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount is disclosed in Airthings' consolidated financial statements for the year ended 31 December 2022.

Airthings considers the relationship between our market capitalization and our book value, among other factors, when reviewing for indicators of impairment. In addition, the group considers factors such as revenue growth in the industry, impact of general economic conditions, changes in the technological environment, the group's market share, and performance compared to previous forecasts in this assessment.

No changes to AfB's long-term prospects are expected due to the recent macro development, hence no impairment of the goodwill is made. Management does not see any other reasonable changes in the key assumptions that would cause the value in use to be lower than its carrying value.

## Note 8: Income tax

The consolidated tax rate for the Group are approximately 22%. The Group's operations are subject to income tax in various foreign jurisdictions. The statutory income tax rates vary from 20.6% to 22%, which results in a difference between the statutory income tax rate in Norway and the average tax rate applicable to the Group. The effect from the statutory income tax rates from other countries (Sweden and USA) on the Group tax rate is very limited as the main operations are in Norway.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Tax losses carried forward in the parent company have been fully recognized as deferred tax assets in the consolidated financial statements, as the Group consider it to be probable that these taxable losses may be utilized in the future.

Reference is made to note 2.8 in the Group's consolidated financial statements for the year ended 31 December 2022 for more information.

## Note 9: Revolving credit facility

In 1Q 2023 Airthings secured a USD 8 million revolving credit facility (RCF) with Danske Bank. As of 31 March 2023, USD 0 million of the facility was utilized. The RCF need to be renewed after 12 months. When the facility is utilized, it will be classified as short-term interest-bearing debt in the financial statements.

Covenants:

1. Borrowing base: Utilized facility < 30% of inventory and 50% of trade receivables excl. trade receivables more than 60 days due.
2. Clean-down: Minimum 1 period of 5 working days between 24 June 2023 and 23 January 2024.

Covenants will be measured and monitored quarterly. Airthings was compliant with all covenants as of 31 March 2023.

## Note 10: Share capital and shareholders information

### Issued capital and reserves:

Share capital in Airthings ASA	Number of shares authorized and fully paid	Par value per share (NOK)	Financial Position (USD 1,000)
<b>At 31 December 2021</b>	<b>171,816,437</b>	<b>0.01</b>	<b>190</b>
Share capital increase - February 2022	550,400	0.01	1
<b>At 31 March 2022</b>	<b>172,366,837</b>	<b>0.01</b>	<b>191</b>
Share capital increase - May 2022	482,200	0.01	1
Share capital increase - July 2022	160,109	0.01	1
Share capital increase - November 2022	983,200	0.01	1
<b>At 31 December 2022</b>	<b>173,992,346</b>	<b>0.01</b>	<b>192</b>
Share capital increase - February 2023	23,437,500*	0.01	23
<b>At 31 March 2023</b>	<b>197,429,846</b>	<b>0.01</b>	<b>215</b>

\* Airthings raised NOK 75 million in gross proceeds through a private placement of 23,437,500 shares in the quarter.

All shares are ordinary and have the same voting rights and rights to dividends. Reconciliation of the Group's equity is presented in the statement of changes in equity.

No distributions were made to shareholders in the current or prior period. Further, there are no proposed dividends.

### Share price information

Share March 31, 2023 (NOK)	2,95
Market capitalization March 31, 2023 (NOKm)	582

## The Group's shareholders:

Shareholders in Airthings ASA at 31 March 2023	Total shares	Ownership/Voting rights
Firda AS	54,563,289	28%
Victoria India Fund AS	5,901,881	3%
Rabakken Invest AS	5,800,364	3%
Atlas Invest AS	5,637,468	3%
Halvor Wøien	4,894,522	2%
Erlend Peter Johnsen Bolle	4,819,722	2%
Verdipapirfondet KLP AksjeNorge	4,462,222	2%
Koki Yoshioka	4,166,650	2%
Brownske Bevegelser AS	3,500,000	2%
The Bank of New York Mellon SA/NV	3,500,000	2%
A Management AS	3,123,228	2%
Danske Invest Norge Vekst	2,962,962	2%
Bjørn Magne Sundal	2,900,000	1%
Skilling Systemer AS	2,900,000	1%
Møsbu AS	2,814,236	1%
TIN World Tech	2,800,292	1%
Longfellow Invest AS	2,753,534	1%
Nore-Invest AS	2,450,659	1%
Grotmol Solutions AS	2,434,403	1%
Storlien Invest AS	2,432,000	1%
Other	72,612,414	37%
<b>Total</b>	<b>197,429,846</b>	<b>100%</b>

## The Group's shareholders:

Shareholders in Airthings ASA at 31 December 2022	Total shares	Ownership/Voting rights
Firda AS	34,780,124	20%
Verdipapirfondet KLP AksjeNorge	7,962,222	5%
Rabakken Invest AS	5,800,364	3%
Atlas Invest AS	5,637,468	3%
Halvor Wøien	4,894,522	3%
Erlend Peter Johnsen Bolle	4,819,722	3%
Victoria India Fund AS	4,558,131	3%
Koki Yoshioka	4,166,650	2%
TIN World Tech	3,025,292	2%
Brownske Bevegelser AS	3,000,000	2%
Danske Invest Norge Vekst	2,962,962	2%
Bjørn Magne Sundal	2,900,000	2%
Skilling Systemer AS	2,900,000	2%
Møsbu AS	2,814,236	2%
Longfellow Invest AS	2,753,534	2%
Nore-Invest AS	2,450,659	1%
Grotmol Solutions AS	2,434,403	1%
Storlien Invest AS	2,432,000	1%
Verdipapirfondet Storebrand Norge	1,894,800	1%
Centra Invest AS	1,851,851	1%
Other	69,953,406	40%
<b>Total</b>	<b>173,992,346</b>	<b>100%</b>

## Note 11: Earnings per share

(Profit or loss in USD)	1Q 2023	1Q 2022	2022
Profit or loss attributable to ordinary equity holders - for basic EPS	-2,081,115	-3,131,194	-10,565,598
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution*	-2,081,115	-3,131,194	-10,565,598
Weighted average number of ordinary shares - for basic EPS	186,106,110	172,088,545	172,826,775
Weighted average number of ordinary shares adjusted for the effect of dilution	188,630,957	177,986,048	177,577,976
<b>Basic EPS - profit or loss attributable</b>	<b>-0.01</b>	<b>-0.02</b>	<b>-0.06</b>
<b>Diluted EPS - profit or loss attributable*</b>	<b>-0.01</b>	<b>-0.02</b>	<b>-0.06</b>

\*The ordinary shares are not adjusted for the effect of dilution as the effect of including the additional shares is antidilutive.

## Note 12: Share-based payments

Employees (including members of the management) of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments (equity-settled transactions). As at 31 March 2023, the Group had 9,020,343 outstanding options with a weighted average strike price of NOK 2.42. Reference is made to note 6.6 of Airthings' 2022 consolidated financial statements for a description of the Group' share option plans.

During 1Q 2023, 63,592 share options were granted to key employees and members of the Board under the Group's share option plan from 2021. The fair value of the options granted during the three months ended 31 March 2023 was estimated on the date of grant using the following assumptions:

Weighted average fair values at the measurement date (NOK)	1.11
Dividend yield (%)	0.00%
Expected volatility (%)	44.30%
Risk-free interest rate (%)	3.22%
Expected life of share options (years)	2.50
Weighted average share price (NOK)	3.41
Weighted average exercise price (NOK)	3.17
Model used	BSM

YTD 2023, the Group has recognized USD 133 thousands of share-based payment expense in the statement of profit or loss (YTD 2022: USD 110 thousands).

As at 31 March 2023, the Group has recognized a social security provision for share-based payment of USD 119 thousands (31 March 2022: USD 682 thousands).

### **Note 13: Other factors and significant events**

Reference is made to note 6.3 of Airthings' 2022 consolidated financial statements. The key risk areas are discussed below:

**Liquidity risk** - represents the risk that the Group may potentially encounter difficulties in meeting obligations associated with financial liabilities that are settled by provision of cash or another financial asset. The Group supervises its risk by monitoring its working capital, and overdue trade receivables. The Group's cash position has weakened since 2021. To improve the cash situation the group has intensified its focus on optimizing business operations and reducing inventories. This effort includes promotional activities to increase sales and cost initiatives. In addition, the group entered into a USD 8 million revolving credit facility with Danske Bank in 1Q 2023, see note 9. The Group also raised NOK 75 million in gross proceeds through a private placement of 23,437,500 shares in the quarter. The liquidity risk is hence considered to be at a reasonable level.

**War in Ukraine** - the ongoing war does not currently impact the Group directly, as it has no operating presence in either Russia, Belarus or Ukraine. Indirect effects however, such as financial market volatility, sanctions-related knock-on effects, general economic market conditions and other future responses

of international governments, might have an impact on the Group's financial results and financial position. The Group's management continues to monitor the situation and has an ongoing assessment of potential impact on the Group's financial results and financial position.

**Potential financial crisis** - the failure of Silicon Valley Bank (SVB) on 10 March 2023 and the unease it has caused in financial markets has not had any direct impact on the Group. Indirect effects however, such as a weakening of consumer confidence in the US, the Group's largest market, may have an impact on the Group's financial results and financial position. The Group's management continues to monitor the situation and has an ongoing assessment of potential impact on the Group's financial results and financial position.

**Climate risk** - the impact of climate risks has been taken into account in the preparation of the Group's interim consolidated financial statements for the period ended 31 March, 2023. However, the risks identified are not considered to have a significant impact on the Group considering the nature of the its operations. Potential impacts of climate change are continuously considered in assessing whether assets may be impaired. As of 31 March, 2023 there is no impact on the Group's assets or liabilities.

### **Note 14: Events after the reporting period**

#### **Adjusting events**

There have been no significant adjusting events subsequent to the reporting date.

#### **Non-adjusting events**

There have been no significant non-adjusting events subsequent to the reporting date.

# Alternative performance measures

This section includes information about alternative performance measures (APMs) applied by the Group.

These alternative performance measures are presented to improve the ability of stakeholders to evaluate the Group's operating performance. The Group applies the following APMs.

## Annual recurring revenue (ARR)

ARR is the value of annualized sales from all active subscriptions, licenses and service contracts within the Airthings for Business and Professional segments. The calculation is based on monthly subscription fees for the ending period (MRR), multiplied by 12 in order to represent an annualized figure. The numbers presented in the table below are translated from NOK to USD applying the average NOK/USD exchange rate for YTD 2023 and YTD 2022 respectively. ARR is considered an important supplemental measure for stakeholders to get an overall understanding of revenue generation within the Group's operating activities.

(USD 1,000)	1Q 2023	1Q 2022	2022
MRR March	332	262	300
<b>ARR</b>	<b>3,983</b>	<b>3,148</b>	<b>3,602</b>

## EBITDA

The Group's earnings before interest, tax, depreciation and amortization (EBITDA) is used to provide consistent information on Airthings' operating performance relative to other companies, and is frequently used by analysts, investors and other stakeholders when evaluating the financial performance of the Group. EBITDA, as defined by Airthings, includes total operating revenue and excludes depreciation, amortization and impairment loss. For a reconciliation of EBITDA, refer to the consolidated statement of profit or loss.

EBITDA (USD 1,000)	1Q 2023	1Q 2023	2022
Revenue	8,752	9,062	35,424
<b>EBITDA</b>	<b>-3,206</b>	<b>-3,434</b>	<b>-11,785</b>
<b>EBITDA margin</b>	<b>-37%</b>	<b>-38%</b>	<b>-33%</b>

## Gross profit margin

Gross profit margin is defined as revenue less cost of goods sold as a percentage of total revenue. Management believes that this measure is important for the users of the financial statements to determine the profitability and the financial performance of the Group.

Gross profit margin (USD 1,000)	1Q 2023	1Q 2022	2022
Revenue	8,752	9,062	35,424
Cost of goods sold	3,887	3,735	14,465
<b>Gross profit</b>	<b>4,865</b>	<b>5,327</b>	<b>20,959</b>
<b>Gross profit margin</b>	<b>56%</b>	<b>59%</b>	<b>59%</b>

# Forward-looking statements

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made but are inherently subject to uncertainties and contingencies that are difficult or impossible to predict. Airthings ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.





**AIRTHINGS**

**Breathe better. Live better.**