AIRTHINGS

# 2Q and first half report 2023

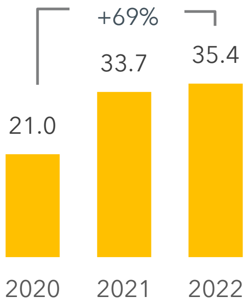
# Airthings at a glance

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

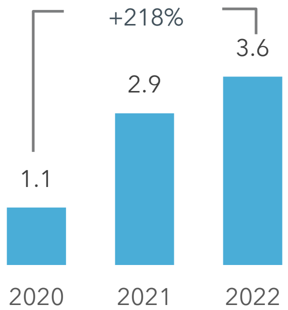
- Global leader in indoor air quality solutions
- Serving consumers, businesses, and professionals
- Empowering the world to breathe better

## Robust growth

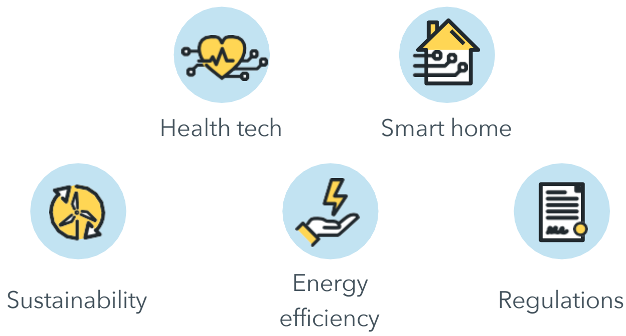
**Revenues (USDm)**




**ARR (USDm)**

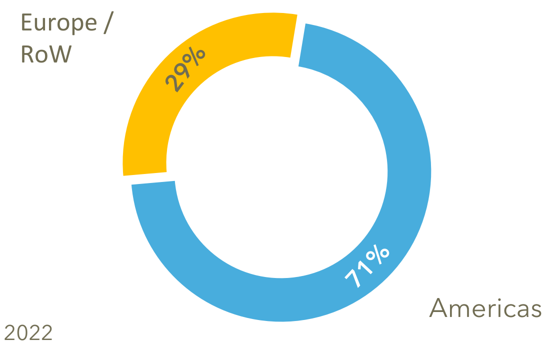


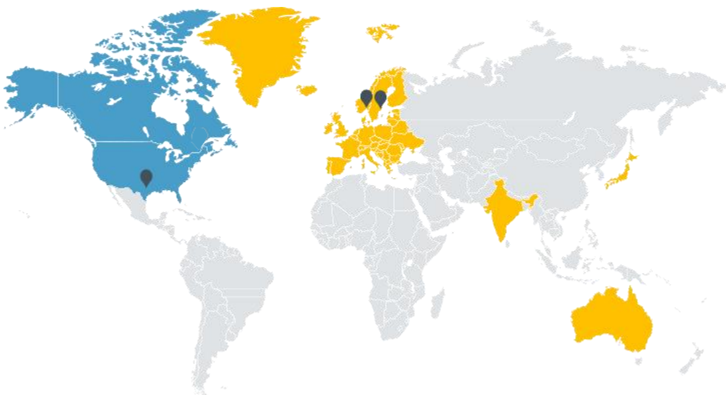

**Supported by lasting factors & megatrends**




## Delivering elegant products and actionable insights

## International and expanding presence



# Key highlights

**1**

**Entry into the California school market with**
## 5,000 devices sold
under the CalSHAPE program with significant potential for expansion

**2**

**Long-term megatrends fueling**
## Regulatory tailwinds
expected to boost demand for IAQ monitors

**3**

**Launched**
## Space Utilization
The first-ever indoor air quality monitoring tool with occupancy detection, in the Airthings for Business dashboard

**4**

**Wave Radon**
## Home Depot expansion
With rollout across 800 Home Depot locations

**5**

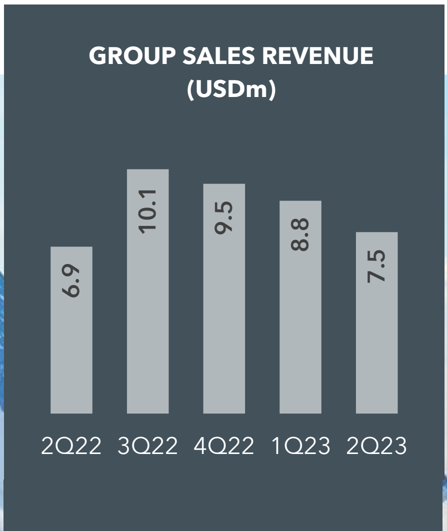
**2Q sales revenue of**
## USD 7.5m
up 9% year-on-year

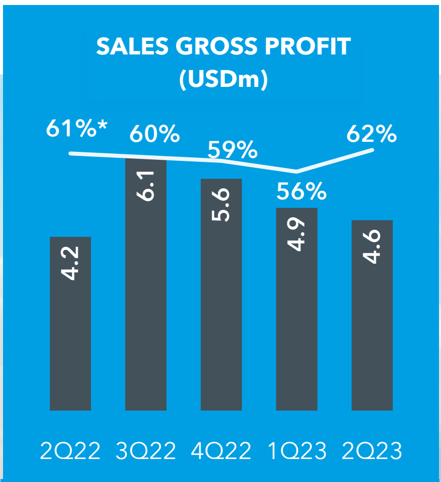
**6**

**2Q sales gross profit of**
## USD 4.6m
gross profit margin of 62%

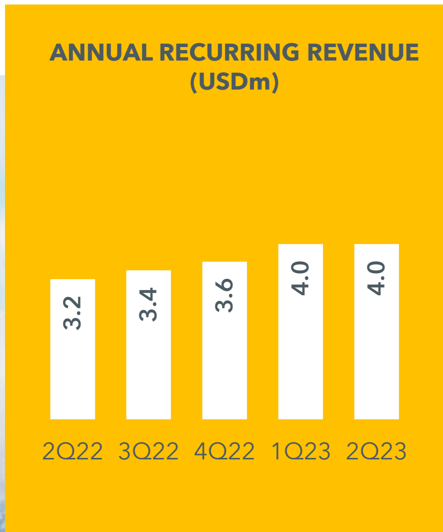
**7**

**Total ARR reached**
## USD 4.0m
up 25% year-on-year



* excl. inventory impairment of Airtight.

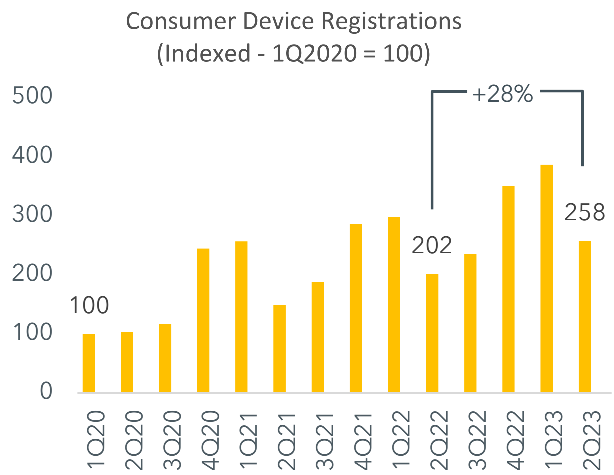


# Operational review

## Revenue and margin development

Airthings recorded sales revenue of USD 7.5 million in 2Q23, up 9% year-on-year and down 15% quarter-on-quarter in what is typically the slowest quarter of the year. Year-to-date revenues were USD 16.2 million, up 2%.

The Consumer segment showed 14% year-on-year revenue growth supported by continued promotional activities. Airthings for Business was down 2% compared to 2Q22, reflecting continued market caution in the Business segment.

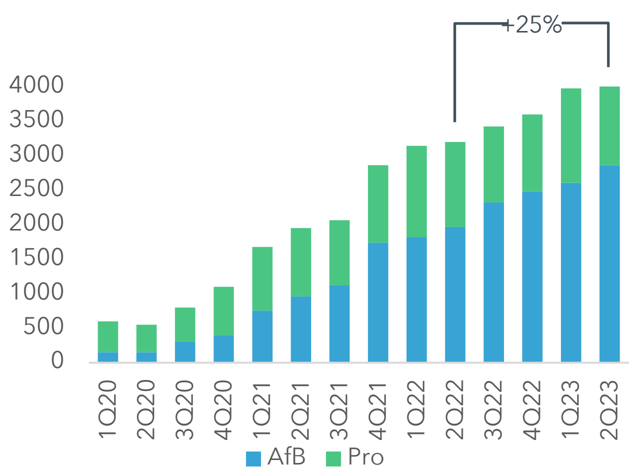



End-customer demand remains relatively healthy, with Consumer new device registrations from smart products increasing 28% year-on-year. Since the start of the year, the company has also seen a 15% increase in users owning more than one device.

Gross Profit came in at USD 4.6 million in 2Q23, corresponding to a solid gross profit margin (GPM) of 62%. This compares to 58% in 2Q22 and is a significant increase from 56% in 1Q23.

## Annual recurring revenue (ARR)

Annual Recurring Revenue (ARR) came in at USD 4.0 million in 2Q23, representing 25% growth year-on-year. The year-on-year increase is reflective of the growth achieved in Airthings for Business. For the second quarter, ARR came in at the low end of the guided range of USD 4.0 – 4.3 million, mainly attributed to reduced sales in the Pro segment and currency effects. The gross margin from ARR revenue remains >80%.



## Product and Marketing

Airthings completed the second quarter of 2023 with launches of several new products and tools boosting brand awareness and market exposure. For Consumer, the Wave Plus Black was launched on Airthings.com and Amazon and promoted with a prominent video featured in AdWeek. For Airthings for Business, the company launched Space Utilization, the first-ever indoor air quality monitoring tool with occupancy detection, at RealComm in Las Vegas. The tool is backwards compatible with existing devices in the field and enables several new use cases and improved energy insights to make buildings more efficient. In addition, the new Airthings for Business mobile app, the facility manager's best friend, was launched at the Facilities Show in London.

## Regulations and guidelines

Airthings' long-term growth ambitions are supported by long-term megatrends fueling the demand for healthy indoor air quality (IAQ) and sustainable and energy efficient solutions. These powerful macro drivers are triggering regulations and guidelines from regulatory bodies seeking to incentivize healthy and sustainable solutions.

In the US, the Centers for Disease Control and Prevention (CDC) recently issued new IAQ guidelines, followed shortly after by the release from the American Society for Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) of a draft standard for maintaining Indoor Air Quality (IAQ). While not yet regulatory requirements, these developments are encouraging signs that additional states will adopt policies requiring monitoring of IAQ in schools, beyond the seven states which currently do so today. Together, these seven states represent roughly 8.3 million students and approximately 300,000 classrooms. Chief among them is California, which provides funding for CO2 monitors in every classroom under the California Schools Healthy Air, Plumbing and Efficiency Program (CalSHAPE).

These developments in the US align with similar directives and guidelines already issued by the EU. The Energy Performance of Buildings Directive (EPBD) requires member states to establish minimum energy performance requirements for buildings, and the Indoor Air Quality Directive (2009/125/EC) establishes minimum requirements for energy efficiency and indoor air quality. Continuous monitoring enables building operators to demonstrate compliance.

These regulatory tailwinds are expected to significantly boost the demand for IAQ monitors and solutions that can improve health and wellbeing, as well as make existing buildings smarter and more energy efficient in the years ahead.

## Risks and uncertainty

Please see note 14 of the 2Q 2023 report and note 6.3 of Airthings' 2022 consolidated financial statements for reference. The company has not identified any major changes to risks and uncertainties since publication of the 2022 Annual Report. Airthings considers the company's overall risk exposure for the upcoming 6 months to be at a low to moderate level and key operational risks including credit risks, currency risks and interest risks are actively monitored and supervised on an ongoing basis. Airthings had a cash balance of USD 17.4 million at the end of 2Q 2023, and the Board considers the liquidity risk to be low.

## Outlook and guidance

Airthings reported revenue of USD 7.5 million in 2Q23, up 9% year-on-year and towards the lower end of the USD 7.0 – 9-0 million range guided alongside the first quarter results.

| USDm | Revenue and ARR Guidance 3Q23 |
|---|---|
| Revenue | 9.0 - 12.0 |
| ARR | 4.1 - 4.4 |

Consumer revenue increased by 14% year-on-year to USD 5.0 million, whereas Airthings for Business (AfB) slightly down from the prior year with revenues of USD 2.0 million. Airthings for Professionals reported revenue of USD 0.5 million.

Distributors remain cautious on inventory management and the investment climate remains guarded in the business segment. Despite these conditions, the company is seeing growth, albeit limited. Furthermore, Airthings' outlook is supported by favorable tendencies in the regulatory environment. As such, Airthings expects the market to shift and demand to increase over the longer term.

Since the first quarter, Airthings has started the implementation of a strategy refinement focused on honing the go-to-market strategy, reinforcing a software centric product focus, and improving the operating model. While it will take time to see the full effect of the new strategic direction, the company is already seeing promising developments. Airthings' internal channel is generating increased sales, the company has launched new and improved services and tools, efforts are underway to revamp the logistical setup, and operational expenses are down both year-on-year and quarter-on-quarter.

While recognizing that the challenging market conditions are likely to remain in the coming quarters, the company is well-positioned for future growth. Airthings for Business has made a notable entry into educational institutions in California, with significant potential for further expansion. The company is also observing more muted seasonality effects in the Consumer segment compared to previous years and are cautiously optimistic about seeing stronger growth over the remainder of 2023.

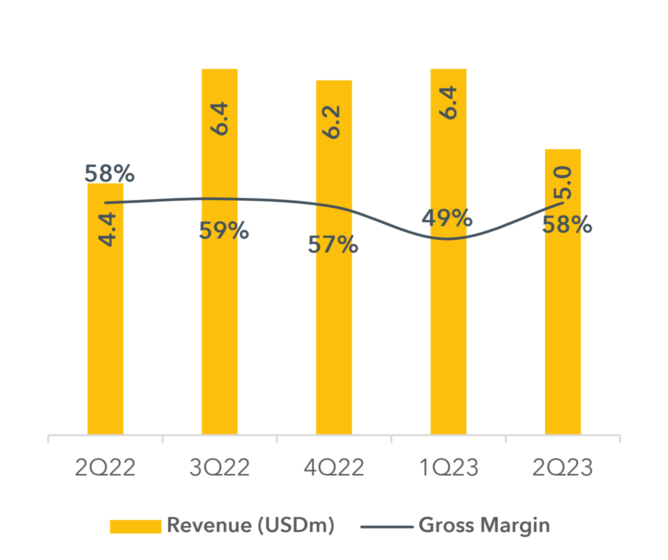
Promotional efforts to bring down own inventories have begun to take effect, although the inventory levels are still elevated. Promotional activities will hence continue in the coming quarter, supporting sales but to a certain degree continuing to affect gross margins.

Revenue in 3Q23 is expected to end in the range of USD 9.0-12.0 million, compared to USD 10.1 million in the same quarter last year. ARR is expected to increase to USD 4.1 – 4.4 million at the end of 3Q23, up 20-28% year-on-year.

# Segment overview

## Airthings for Consumer

Revenue from Airthings for Consumer came in at USD 5.0 million in 2Q23, up 14% year-on-year. 2Q is typically the slowest quarter of the year, and sales were down 22% quarter-on-quarter. Year-to-date revenues in the segment were USD 11.4 million, up 8%.



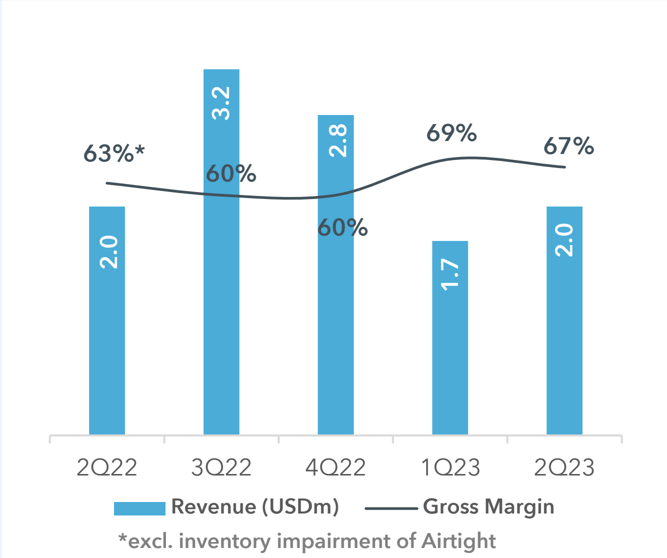

The Consumer segment has maintained notable growth in device registrations for connected products, showing a 28% year-on-year increase in the second quarter. This indicates healthy sell-through to end-customers partially influenced by the heightened promotional activities in the quarter. The company is also seeing more customers adding more devices, as demonstrated by a 15% year-to-date increase in customers owning more than one device.

In 1Q23, the company announced a refinement of its strategic direction. An increased focus on improving sales through own channels is already showing results, with over 70% year-to-date sales growth on Airthings.com. A heightened in-depth focus on existing customers is also paying off, as Airthings expanded its product offering with Home Depot in the quarter and rolled out Wave Radon across 800 locations. Similarly, significant volumes of product were sold to Amazon, including orders secured and shipped ahead of Prime Day activities throughout July.

Gross margins in Consumer are still affected by promotional campaigns to reduce inventory placing downward pressure on price-points. That said, gross margin came in at 58% in 2Q23, compared to 58% in 2Q22 and up significantly from 49% in 1Q23.

# Airthings for Business (AfB)

Revenue from Airthings for Business came in at USD 2.0 million in 2Q23, down 2% year-on-year and up 13% quarter-on-quarter. Year-to-date revenues in the segment were USD 3.7 million, down 13%.




The number of devices in the field increased by approximately 4% from the first quarter and is up 54% year-on-year.

Gross profit for Airthings for Business came in at USD 1.3 million in 2Q23, with a gross margin of 67%. This compares to 69% in the previous quarter and up from 53% in 2Q22 when the results were negatively impacted by an inventory impairment of the Airtight product.

In the first quarter, Airthings signed a deal to equip 15 schools across California with nearly 5,000 air quality monitoring devices under the California Schools Healthy Air, Plumbing and Efficiency Program (CalSHAPE). The program authorizes funding to more than 10,000 educational institutions for assessing, maintaining, repairing, or upgrading ventilation systems. The deal signifies a strong first entry for Airthings to provide CO2 monitors to the educational institutions covered under CalSHAPE.

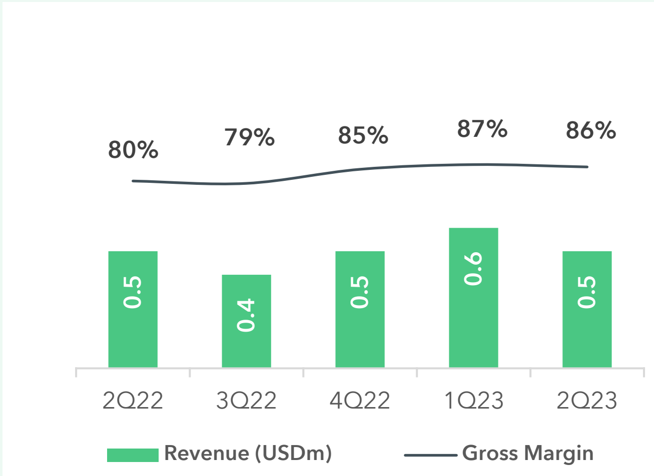
In addition, Airthings announced a new partnership with Rentokil Initial after the end of the quarter. Rentokil Initial is a global leader in commercial pest control and hygiene services, operating in over 90 countries. The partnership combines Rentokil Initial's expertise in hygiene and purification services with Airthings' advanced monitoring technology to provide comprehensive and accurate indoor air quality data for businesses. Airthings' monitors will be utilized by Rentokil to map out issues within their customers' facilities and target the root causes of poor air quality in schools, commercial real estate, and shopping malls.

The partnership with Rentokil Initial provides a solid proof-point that Airthings can build strong relationships with the largest players in the Heating, Ventilation and Air Condition (HVAC) industries and global enterprise customers in the US and EU. A new experienced VP of Sales for EMEA and APAC has recently been hired from Schneider Electric to further support these efforts. Taken in combination with recent improvements to the product offering in terms of the energy savings potential for end-users, Airthings is well-positioned to capitalize on improvements in the macro environment and investment climate when they materialize.

# Airthings for Professionals

Sales revenue from the PRO segment reached USD 0.5 million in 2Q23, reflecting a continued challenging US home inspector market. Year-to-date revenues in the segment were USD 1.1 million, down 2%.

Gross profit from the Pro segment was USD 0.5 million in the quarter, with a margin of 86%. This compares with 80% in 2Q22 and 87% in 1Q23.



*Oslo, 13 July 2023*

**Geir Førre**
Chairman of the Board

**Liv Dyrnes**
Board Member

**Aksel Lund Svindal**
Board member

**Emma Tryti**
Board member

**Niklas Norin**
Board member

**Chloe Waller**
Board member

**Karin Berg**
Board member

**Øyvind Birkenes**
CEO

# Financials

# Financial highlights (IFRS)

| Key financials (USD 1,000) | 2Q 2023 | 2Q 2022 | Δ | YTD 2023 | YTD 2022 | Δ | 2022 |
|---|---|---|---|---|---|---|---|
| Total revenue | 7,457 | 6,851 | 9% | 16,208 | 15,913 | 2% | 35,424 |
| Gross profit | 4,627 | 3,979 | 16% | 9,492 | 9,306 | 2% | 20,959 |
| Gross margin | 62% | 58% | | 59% | 58% | | 59% |
| EBITDA | -2,734 | -5,383 | | -5,940 | -8,816 | | -11,785 |
| EBIT | -3,109 | -7,285 | | -6,703 | -11,094 | | -14,662 |
| Profit (loss) before tax | -2,825 | -5,756 | | -5,429 | -9,853 | | -13,697 |
| Annual Recurring Revenue | 4,012 | 3,202 | 25% | 4,012 | 3,202 | 25% | 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 7.4 million in 2Q23 and USD 15.4 million for the first half 2023, down 15% YoY from USD 18.1 million from first half 2022. The reduction is primarily driven by operational improvements, as well as a range of one-off costs in the first half of 2022.

**EBITDA** came in at negative USD 2.7 million in 2Q23 and negative USD 5.9 million for the first half 2023.

**Depreciation, amortization** during 2Q23 was USD 0.4 million and USD 0.8 million in the first half of 2023, 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 3.1 million in 2Q23 and negative USD 6.7 million in the first half 2023.

**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 2.8 million in 2Q23 and a loss of 5.4 million in the first half 2023.

**Tax income** was USD 0.6 million in 2Q23 and USD 1.1. million for the first half 2023 (see note 8). This resulted in a **net loss** of USD 2.2 million in 2Q23 and a **net loss** of USD 4.3 million for the first half 2023.

## Consolidated statement of financial position

**Total assets** at the end of 2Q23 were USD 63.0 million (end 1Q23: USD 65.6 million), split between non-current assets is USD 16.7 million (end 1Q23: USD 16.4 million), and current assets of USD 46.4 million (end 1Q23: USD 49.1 million). Non-current assets are mainly made up of goodwill, intangible assets, deferred tax assets and right of use assets. Current assets are mainly made up of USD 17.4 million in cash and cash equivalents, inventories and trade receivables. During the quarter, inventories and trade receivables decreased by USD 0.9 million and USD 2.2 million respectively due to the company's heightened focus on improving its working capital situation. Since 2022, inventories are down USD 2.5 million and trade receivables have fallen by USD 2.9 million.

The book value of **equity** is USD 49.3 million (end 1Q23: USD 52.9 million). This equates to an equity ratio of 78.2% (end 1Q23: 80.7%)

**Total liabilities** were USD 13.7 million at the end of Q2 2023 (end 1Q23: USD 12.7 million). The increase is primarily driven by funding received from Innovation Norway (see note 10).

Non-current liabilities is mainly made up of interest-bearing liabilities and lease liabilities. Other current liabilities consist of deferred revenue related to subscription service, public duty taxes, personnel related accruals and other accrued expenses.

## Consolidated statement of cash flows

**Total cash and cash equivalents balance** increased by USD 1.9 million from 1Q23 to USD 17.4 million. Primarily driven by funding received from Innovation Norway (see note 10).

**Cash flow from operating activities** came in at positive USD 2.6 million in 2Q23 and negative USD 0.7 million in first half 2023 mainly driven by a loss before tax offset by positive working capital as a result of the company's heightened focus on improving its working capital situation as well as external financing.

**Cashflow from investment activities** was negative USD 0.3 million in 2Q23 and negative USD 0.8 million in first half 2023 driven by capitalization development costs.

**Cashflow from financing activities** was positive USD 1.1 million in 2Q23 and USD 8.0 million in first half 2023 mainly related to the funding received from Innovation Norway and the private placement in 1Q23.

# Consolidated statement of profit or loss

| Amounts in USD 1,000 | Notes | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|---|
| | | Unaudited | | | | Audited |
| Revenues | 4, 5 | 7,457 | 6,851 | 16,208 | 15,913 | 35,424 |
| **Total revenues** | | **7,457** | **6,851** | **16,208** | **15,913** | **35,424** |
| Cost of goods sold | 7 | 2,830 | 2,872 | 6,716 | 6,606 | 14,465 |
| Employee benefit expenses | 6 | 4,261 | 4,999 | 8,433 | 9,431 | 16,654 |
| Other operating expenses | 6 | 3,100 | 4,363 | 6,999 | 8,692 | 16,090 |
| **Operating profit or loss before depreciation & amortization (EBITDA)** | | **-2,734** | **-5,383** | **-5,940** | **-8,816** | **-11,785** |
| Depreciation, amortization and impairment | 7 | 375 | 1,903 | 762 | 2,278 | 2,877 |
| **Operating profit or loss (EBIT)** | | **-3,109** | **-7,285** | **-6,703** | **-11,094** | **-14,662** |
| **Net financial items** | | **285** | **1,529** | **1,273** | **1,241** | **965** |
| **Profit (loss) before tax** | | **-2,825** | **-5,756** | **-5,429** | **-9,853** | **-13,697** |
| Income tax expense | 8 | -612 | -1,306 | -1,136 | -2,271 | -3,131 |
| **Profit (loss) for the period** | | **-2,212** | **-4,451** | **-4,293** | **-7,582** | **-10,566** |
| **Profit (loss) for the year attributable to:** | | | | | | |
| Equity holders of the parent company | | -2,212 | -4,451 | -4,293 | -7,582 | -10,566 |
| **Earnings per share:** | | | | | | |
| Basic earnings per share | 12 | -0.01 | -0.03 | -0.02 | -0.04 | -0.06 |
| Diluted earnings per share | 12 | -0.01 | -0.03 | -0.02 | -0.04 | -0.06 |

# Consolidated statement of comprehensive income

| Amounts in USD 1,000 | Notes | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|---|
| | | Unaudited | | | | Audited |
| **Profit (loss) for the period** | | **-2,212** | **-4,451** | **-4,293** | **-7,582** | **-10,566** |
| ***Other comprehensive income:*** | | | | | | |
| *Items that subsequently will not be reclassified to profit or loss:* | | | | | | |
| Exchange differences on translation of parent company | | -1,432 | -7,721 | -4,645 | -7,299 | -7,025 |
| **Total items that will not be reclassified to profit or loss** | | **-1,432** | **-7,721** | **-4,645** | **-7,299** | **-7,025** |
| *Items that subsequently may be reclassified to profit or loss:* | | | | | | |
| Exchange differences on translation of foreign operations | | | 2 | 2 | 1 | |
| **Total items that may be reclassified to profit or loss** | | | **2** | **2** | **1** | |
| **Other comprehensive profit (loss) for the period** | | **-1,432** | **-7,719** | **-4,643** | **-7,298** | **-7,025** |
| **Total comprehensive profit (loss) for the period** | | **-3,644** | **-12,170** | **-8,937** | **-14,880** | **-17,590** |
| **Total comprehensive profit (loss)** | | | | | | |
| Equity holders of the parent company | | -3,644 | -12,170 | -8,937 | -14,880 | -17,590 |

# Consolidated statement of financial position

| Amounts in USD 1,000 | Notes | Unaudited 30.06.2023 | Unaudited 30.06.2022 | Audited 31.12.2022 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | 7 | 2,628 | 2,841 | 2,872 |
| Intangible assets | 7 | 2,840 | 1,495 | 2,459 |
| Deferred tax assets | 8 | 7,665 | 6,065 | 7,108 |
| Property, plant and equipment | | 729 | 916 | 830 |
| Right-of-use assets | | 2,740 | 3,488 | 3,140 |
| Other non-current assets | 13 | 82 | 190 | 132 |
| **Total non-current assets** | | **16,684** | **14,995** | **16,541** |
| | | | | |
| **Current assets** | | | | |
| Inventories | | 16,168 | 16,413 | 18,713 |
| Trade receivables | | 8,152 | 9,225 | 11,099 |
| Other receivables | | 4,662 | 2,939 | 4,115 |
| Cash and cash equivalents | 9 | 17,380 | 23,370 | 13,274 |
| **Total current assets** | | **46,363** | **51,746** | **47,202** |
| | | | | |
| **TOTAL ASSETS** | | **63,047** | **66,742** | **63,743** |

| Amounts in USD 1,000 | Notes | Unaudited 30.06.2023 | Unaudited 30.06.2022 | Audited 31.12.2022 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 11 | 215 | 191 | 192 |
| Share premium | | 86,362 | 78,838 | 78,979 |
| Other capital reserves | | 2,281 | 1,922 | 2,068 |
| Other equity | | -39,532 | -27,600 | -30,311 |
| **Total equity** | | **49,326** | **53,350** | **50,928** |
| | | | | |
| **Non-current liabilities** | | | | |
| Non-current interest-bearing liabilities | 10 | 1,300 | | |
| Non-current lease liabilities | | 2,156 | 2,874 | 2,554 |
| Non-current provisions | 13 | 72 | 183 | 125 |
| **Total non-current liabilities** | | **3,529** | **3,058** | **2,679** |
| | | | | |
| **Current liabilities** | | | | |
| Current lease liabilities | | 837 | 853 | 850 |
| Trade and other payables | | 5,611 | 6,281 | 6,177 |
| Contract liabilities | | 1,296 | 971 | 1,111 |
| Income tax payable | | 32 | 9 | 60 |
| Current provisions | 10 | 2,416 | 2,222 | 1,963 |
| **Total current liabilities** | | **10,192** | **10,334** | **10,137** |
| | | | | |
| **Total liabilities** | | **13,721** | **13,392** | **12,816** |
| **TOTAL EQUITY AND LIABILITIES** | | **63,047** | **66,742** | **63,743** |

*Oslo, 13 July 2023*

**Geir Førre**
Chairman of the Board

**Liv Dyrnes**
Board Member

**Aksel Lund Svindal**
Board member

**Emma Tryti**
Board member

**Niklas Norin**
Board member

**Chloe Waller**
Board member

**Karin Berg**
Board member

**Øyvind Birkenes**
CEO

# Consolidated statement of cash flows

| Amounts in USD 1,000 | Notes | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|---|
| | | | Unaudited | | | Audited |
| **Cash flows from operating activities** | | | | | | |
| **Profit (loss) before tax** | | **-2,825** | **-5,756** | **-5,429** | **-9,853** | **-13,697** |
| **Adjustments to reconcile profit before tax to net cash flows:** | | | | | | |
| Net financial items | | -285 | -1,529 | -1,273 | -1,241 | -965 |
| Depreciation, amortization and impairment | 7 | 375 | 1,903 | 762 | 2,278 | -2,877 |
| Share-based payment expense | 13 | 214 | 108 | 214 | 218 | 364 |
| *Working capital adjustments:* | | | | | | |
| Changes in inventories | | 948 | -3,466 | 2,545 | -4,984 | -7,284 |
| Changes in trade and other receivables | | 3,767 | 2,162 | 2,399 | 1,575 | -1,476 |
| Changes in trade and other payables and contract liabilities | | -660 | -884 | -381 | -670 | -633 |
| Changes in provisions | | 1,029 | 173 | 425 | -1,012 | -1,354 |
| **Net cash flows from operating activities** | | **2,564** | **-7,290** | **-738** | **-13,690** | **-22,169** |
| **Cash flows from investing activities** | | | | | | |
| Development expenditures | 7 | -412 | -505 | -826 | -968 | -2,145 |
| Purchase of property, plant and equipment | | | -81 | -26 | -225 | -341 |
| Interest received | | 79 | 3 | 101 | 3 | 258 |
| **Net cash flow from investing activities** | | **-333** | **-583** | **-750** | **-1,190** | **-2,228** |
| **Cash flow from financing activities** | | | | | | |
| Proceeds from issuance of equity | 11 | | 55 | 7,122 | 170 | 312 |
| Proceeds of interest-bearing liabilities | 10 | 1,300 | | 1,300 | | |
| Payments for the principal portion of the lease liability | | -180 | -176 | -364 | -360 | -698 |
| Payments for the interest portion of the lease liability | | -40 | -53 | -85 | -110 | -201 |
| **Net cash flows from financing activities** | | **1,080** | **-175** | **7,972** | **-300** | **-586** |
| **Net increase/(decrease) in cash and cash equivalents** | | **3,311** | **-8,048** | **6,484** | **-15,193** | **-24,983** |
| Cash and cash equivalents beginning of the period | | 15,426 | 35,607 | 13,274 | 42,174 | 42,174 |
| Net foreign exchange difference | | -1,357 | -4,389 | -2,378 | -3,824 | -3,917 |
| **Cash and cash equivalents at end of the period** | | **17,380** | **23,170** | **17,380** | **23,170** | **13,274** |

# Consolidated statement of changes in equity

| Amounts in USD 1,000 | Share capital | Share premium | Other capital reserves | Other equity | | Total equity |
|---|---|---|---|---|---|---|
| | | | | Cumulative translation differences | Retained earnings | |
| **Equity 31 December 2021** | **190** | **78,669** | **1,704** | **1,962** | **-14,683** | **67,842** |
| Profit (loss) for the period | | | | | -5,582 | -5,582 |
| Other comprehensive profit (loss) | | | | -7,298 | | -7,298 |
| **Total comprehensive profit (loss)** | | | | **-7,298** | **-5,582** | **-14,880** |
| Capital increase (note 11) | 1 | 169 | | | | 170 |
| Share-based payments (note 13) | | | 218 | | | 218 |
| **Equity 30 June 2022** | **191** | **78,838** | **1,922** | **-5,336** | **-22,625** | **53,350** |

| Amounts in USD 1,000 | Share capital | Share premium | Other capital reserves | Other equity | | Total equity |
|---|---|---|---|---|---|---|
| | | | | Cumulative translation differences | Retained earnings | |
| **Equity 31 December 2022** | **192** | **78,979** | **2,068** | **-5,062** | **-25,248** | **50,928** |
| Profit (loss) for the period | | | | | -4,293 | -4,293 |
| Other comprehensive profit (loss) | | | | -4,643 | | |
| **Total comprehensive profit (loss)** | | | | **-4,463** | **-4,293** | **-8,937** |
| Capital increase (note 11) | 23 | 7,383 | | | | 7,406 |
| Transaction cost share issues | | | | | -285 | -285 |
| Share-based payments (note 13) | | | 214 | | | 214 |
| **Equity 30 June 2023** | **215** | **86,362** | **2,281** | **-9,706** | **-29,826** | **49,326** |

# 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 30 June 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 13 July 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 investment climate is also subdued in the B2B segment, Airthings for Business. 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 it's 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.

| 2Q 2023 (USD 1,000) | Consumer | Business | Professional | Group functions | Consolidated IFRS |
|---|---|---|---|---|---|
| **REVENUES & PROFIT** | | | | | |
| External customers | 4,970 | 1,955 | 532 | | 7,457 |
| **Total revenue** | **4,970** | **1,955** | **532** | | **7,457** |
| Cost of goods sold | 2,102 | 655 | 72 | | 2,830 |
| Employee benefit expenses | 434 | 1,005 | 85 | 2,737 | 4,261 |
| Other operating expenses | 1,066 | 150 | 69 | 1,816 | 3,100 |
| **EBITDA** | **1,368** | **145** | **306** | **-4,553** | **-2,734** |

| 2Q 2022 (USD 1,000) | Consumer | Business | Professional | Group functions | Consolidated IFRS |
|---|---|---|---|---|---|
| **REVENUES & PROFIT** | | | | | |
| External customers | 4,375 | 1,994 | 483 | | 6,851 |
| **Total revenue** | **4,375** | **1,994** | **483** | | **6,851** |
| Cost of goods sold | 1,845 | 932 | 95 | | 2,872 |
| Employee benefit expenses | 498 | 1,094 | 92 | 3,315 | 4,999 |
| Other operating expenses | 752 | 230 | 274 | 3,107 | 4,363 |
| **EBITDA** | **1,817** | **-262** | **23** | **-6,960** | **-5.383** |

| YTD 2023 (USD 1,000) | Consumer | Business | Professional | Group functions | Consolidated IFRS |
|---|---|---|---|---|---|
| **REVENUES & PROFIT** | | | | | |
| External customers | 11,371 | 3,690 | 1,147 | | 16,208 |
| **Total revenue** | **11,371** | **3,690** | **1,147** | | **16,208** |
| Cost of goods sold | 5,370 | 1,193 | 153 | | 6,716 |
| Employee benefit expenses | 1,055 | 2,126 | 160 | 5,093 | 8,433 |
| Other operating expenses | 2,810 | 355 | 207 | 3,627 | 6,999 |
| **EBITDA** | **2,137** | **16** | **627** | **-8,720** | **-5,940** |

| YTD 2022 (USD 1,000) | Consumer | Business | Professional | Group functions | Consolidated IFRS |
|---|---|---|---|---|---|
| **REVENUES & PROFIT** | | | | | |
| External customers | 10,509 | 4,234 | 1,170 | | 15,913 |
| **Total revenue** | **10,509** | **4,234** | **1,170** | | **15,913** |
| Cost of goods sold | 4,608 | 1,819 | 179 | | 6,606 |
| Employee benefit expenses | 991 | 2,147 | 170 | 6,122 | 9,431 |
| Other operating expenses | 1,564 | 599 | 443 | 6,087 | 8,692 |
| **EBITDA** | **4,365** | **-331** | **378** | **-12,209** | **-8,816** |

| 2022 (USD 1,000) | Consumer | Business | Professional | Group functions | Consolidated IFRS |
|---|---|---|---|---|---|
| **REVENUES & PROFIT** | | | | | |
| External customers | 23,037 | 10,313 | 2,075 | | 35,424 |
| **Total revenue** | **23,037** | **10,313** | **2,075** | | **35,424** |
| 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 |
| **EBITDA** | **7,291** | **1,033** | **724** | **-20,833** | **-11,785** |

### Segmental analysis of assets and liabilities

Assets and liabilities by reporting segment is not included in management reporting and is therefore not disclosed separately within the operating segments.

### Geographical disaggregation

Reference is made to note 5 Revenue for information on the Group's geographical markets.

## 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) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 7,350 | 6,725 | 15,999 | 15,668 | 34,953 |
| Rental income | 107 | 126 | 209 | 245 | 471 |
| **Total revenues** | **7,457** | **6,851** | **16,208** | **15,913** | **35,424** |

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

| Geographical information (USD 1,000) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| EMEA | 1,508 | 2,131 | 3,360 | 5,787 | 10,102 |
| North America (USA and Canada) | 5,842 | 4,594 | 12,639 | 5,287 | 24,851 |
| **Total revenue from contracts with customers** | **7,35** | **6,725** | **15,999** | **15,668** | **34,953** |

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

| Timing of revenue recognition (USD 1,000) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| Goods transferred at a point in time | 6,548 | 6,189 | 14,340 | 14,495 | 32,527 |
| Subscription and services transferred over time | 801 | 536 | 1,658 | 1,173 | 2,427 |
| **Total revenue from contracts with customers** | **7,350** | **6,725** | **15,998** | **15,668** | **34,953** |

## 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) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| Sales and marketing | 4,235 | 5,027 | 9,308 | 10,231 | 19,621 |
| Research and development | 1,713 | 2,158 | 3,608 | 4,206 | 7,201 |
| General and administrative | 1,414 | 2,176 | 2,516 | 3,686 | 5,922 |
| **Total operating expenses** | **7,361** | **9,362** | **15,432** | **18,123** | **32,744** |
| Number of employees | 130 | 143 | 130 | 143 | 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 (USD 1,000) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| Depreciation of property, plant and equipment | 90 | 64 | 157 | 137 | 269 |
| Depreciation of right-of-use assets | 184 | 192 | 375 | 397 | 769 |
| Amortization and impairment of intangible assets (see details in the table below) | 101 | 1,647 | 231 | 1,744 | 1,838 |
| **Total depreciation, amortization and impairment expenses** | **375** | **1,903** | **762** | **2,278** | **2,877** |

### 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 | Software & systems | Technology | Goodwill 1) | Total |
|---|---|---|---|---|---|
| **Acquisition cost as of 31 December 2021** | | **1,129** | **1,864** | **3,210** | **6,203** |
| Additions* | 890 | 79 | | | 968 |
| Currency translation effects | -74 | -134 | -216 | -369 | -763 |
| **Acquisition cost as of 30 June 2022** | **816** | **1,074** | **1,648** | **2,841** | **6,379** |
| **Acquisition cost as of 31 December 2022** | **1,148** | **1,171** | **2,383** | **2,872** | **7,574** |
| Additions* | 826 | | | | 826 |
| Currency translation effects | -109 | -99 | -202 | -244 | -655 |
| **Acquisition cost as of 30 June 2023** | **1,865** | **1,072** | **2,181** | **2,628** | **7,745** |
| **Accumulated amortization as of 31 December 2021** | | **282** | **217** | | **499** |
| Amortization charge for the period | | 153 | 69 | | 222 |
| Impairment charge for the period | | | 1,522 | | 1,522 |
| Currency translation effects | | -41 | -159 | | -200 |
| **Accumulated amortization as of 30 June 2022** | | **394** | **1,648** | | **2,042** |
| **Accumulated amortization as of 31 December 2022** | | **554** | **1,690** | | **2,244** |
| Amortization charge for the period | | 163 | 68 | | 231 |
| Impairment charge for the period | | | | | |
| Currency translation effects | | -52 | -146 | | -198 |
| **Accumulated amortization as of 30 June 2023** | | **665** | **1,612** | | **2,277** |
| **Net book value:** | | | | | |
| **As of 30 June 2022** | **816** | **679** | **0** | **2,841** | **4,337** |
| **As of 31 December 2022** | **1,148** | **617** | **693** | **2,872** | **5,330** |
| **As of 30 June 2023** | **1,865** | **407** | **569** | **2,628** | **5,459** |
| 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 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 30 June 2023

## Note 10: Grants and growth loan from Innovation Norway

In May 2023, Airthings secured funding from Innovation Norway linked to the companies R&D activities with final reporting 31 March 2025. A maximum grant of 17 MNOK and a growth loan of maximum 24 MNOK were awarded to the company. The company received 5 MNOK of the grant and 14 MNOK of the growth loan in a first installment of the funding this quarter and this is reflected in the balance sheet.

Covenants related to the Innovation Norway funding (with effect from 30 June 2023):

1. Equity ratio: Equity ratio > 35%
2. Working capital: Working capital > 50 000 000 NOK

Covenants will be measured and monitored quarterly. Airthings was compliant with all covenants as of 30 June 2023

## Note 11: 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) |
|---|---|---|---|
| **At 31 December 2021** | **171,816,437** | **0.01** | **190** |
| Share capital increase - February 2022 | 550,400 | 0.01 | 1 |
| Share capital increase - May 2022 | 482,200 | 0.01 | 1 |
| **At 31 March 2022** | **172,849,037** | **0.01** | **191** |
| Share capital increase - July 2022 | 160,109 | 0.01 | 0 |
| Share capital increase - November 2022 | 983,200 | 0.01 | 1 |
| **At 31 December 2022** | **173,992,346** | **0.01** | **192** |
| Share capital increase - February 2023 | 23,437,500* | 0.01 | 23 |
| **At 30 June 2023** | **197,429,846** | **0.01** | **215** |

* 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 30 June, 2023 (NOK) | 2,31 |
| Market capitalization 30 June, 2023 (NOKm) | 455 |

**The Group's shareholders:**

| Shareholders in Airthings ASA at 30 June 2023 | Total shares | Ownership/Voting rights |
|---|---|---|
| Firda AS | 56,113,289 | 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% |
| Skilling Systemer AS | 2,900,000 | 1% |
| Bjørn Magne Sundal | 2,852,000 | 1% |
| Møsbu AS | 2,814,236 | 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% |
| Nygon AS | 1,751,969 | 1% |
| Other | 72,158,737 | 39% |
| **Total** | **197,429,846** | **100%** |

**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% |
| **Total** | **173,992,346** | **100%** |

## Note 12: Earnings per share

| (Profit or loss in USD) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| Profit or loss attributable to ordinary equity holders - for basic EPS | -2,212,298 | -4,450,725 | -4,293,413 | -7,581,919 | -10,565,598 |
| Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution* | -2,212,298 | -4,450,725 | -4,293,413 | -7,581,919 | -10,565,598 |
| Weighted average number of ordinary shares - for basic EPS | 197,429,846 | 172,634,726 | 191,830,888 | 172,363,181 | 172,826,775 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 199,489,621 | 177,280,890 | 194,095,521 | 178,260,684 | 177,577,976 |
| **Basic EPS - profit or loss attributable** | **-0.01** | **-0.03** | **-0.02** | **-0.04** | **-0.06** |
| **Diluted EPS - profit or loss attributable*** | **-0.01** | **-0.03** | **-0.02** | **-0.04** | **-0.06** |

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

## Note 13: Share-based payments

Employees (including members of the Board and 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 30 June 2023, the Group had 8,621,239 outstanding options with a weighted average strike price of NOK 2.48 Reference is made to note 6.6 of Airthings' 2022 consolidated financial statements for a description of the Group' share option plans.

During 2Q 2023, 240,742 share options were granted to employees under the Group's share option plan from 2021. The fair value of the options granted during the three months ended 30 June 2023 was estimated on the date of grant using the following assumptions:

| | |
|---|---|
| Weighted average fair values at the measurement date (NOK) | 0.91 |
| Dividend yield (%) | 0.00% |
| Expected volatility (%) | 43.90% |
| Risk-free interest rate (%) | 3.29% |
| Expected life of share options (years) | 2.50 |
| Weighted average share price (NOK) | 2.95 |
| Weighted average exercise price (NOK) | 2.84 |
| Model used | BSM |

YTD 2023, the Group has recognized USD 217 thousands of share-based payment expense in the statement of profit or loss (YTD 2022: USD 218 thousands).

As of 30 June 2023, the Group has recognized a social security provision for share-based payment of USD 74 thousands (30 June 2022: USD 183 thousands).

## Note 14: 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.

To further improve the its liquidity position, 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 prior quarter. In addition, the Group has secured funding from Innovation Norway in the form of a grant NOK 17 million and a loan of NOK 24 million. NOK 5.1 million of the grant and NOK 14 million of the loan were paid out to the Group in the second 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.

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 30 June 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 30 June, 2023 there is no impact on the Group's assets or liabilities.

## Note 15: 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) | 2Q 2023 | 2Q 2022 | 2022 |
|---|---|---|---|
| MRR | 334 | 267 | 300 |
| **ARR** | **4,012** | **3,202** | **3,602** |

### 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) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| Revenue | 7,457 | 6,851 | 16,208 | 15,913 | 35,424 |
| **EBITDA** | **-2,734** | **-5,383** | **-5,940** | **-8,816** | **-11,785** |
| **EBITDA margin** | **-37%** | **-79%** | **-37%** | **-55%** | **-33%** |

### 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) | 2Q 2023 | 2Q 2022 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|---|---|
| Revenue | 7,457 | 6,851 | 16,208 | 15,913 | 35,424 |
| Cost of goods sold | 2,830 | 2,872 | 6,716 | 6,606 | 14,465 |
| **Gross profit** | **4,627** | **3,979** | **9,492** | **9,306** | **20,959** |
| **Gross profit margin** | **62%** | **58%** | **59%** | **58%** | **59%** |

# 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.

# Statement of the Board of Directors and CEO

We hereby confirm that, to the best of our knowledge, that the interim financial statements for the period from 1 January, 2023 to 30 June, 2023, have been prepared in accordance with IAS 34 Interim Financial Statements, and that the information in the financial statements gives a true and fair view of the group's assets, liabilities, financial position and profit or loss taken as a whole. We also confirm that, to the best of our knowledge, the interim report for the full year gives a true and fair view of important events in the accounting period and their influence on the interim report for the first half 2023.

*Oslo, 13 July 2023*

| | | |
|---|---|---|
| **Geir Førre**<br>Chairman of the Board | **Liv Dyrnes**<br>Board Member | **Aksel Lund Svindal**<br>Board member |
| **Emma Tryti**<br>Board member | **Niklas Norin**<br>Board member | **Chloe Waller**<br>Board member |
| **Karin Berg**<br>Board member | **Øyvind Birkenes**<br>CEO | |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