AIRTHINGS

# Annual Report 2021

# Key highlights

**1**

2021 revenues of

**USD 33.7 million**

up 60% YoY

**2**

2021 total gross profit of

**USD 20.6 million**

up 55% YoY, with a gross profit margin of 61%

**3**

Total ARR reached

**USD 2.9 million**

at the end of 2021
up 153% YoY

**4**

Commercial breakthrough for

**Airthings for Business**

2021 revenue of USD 6.9 million, up 386% YoY

**5**

Signed major

**Partnerships**

with Carrier and Sigler and retailers like Home Depot, CVS and Walmart

**6**

Successful launches of

**View Plus** the world's most advanced air quality monitor to date, and

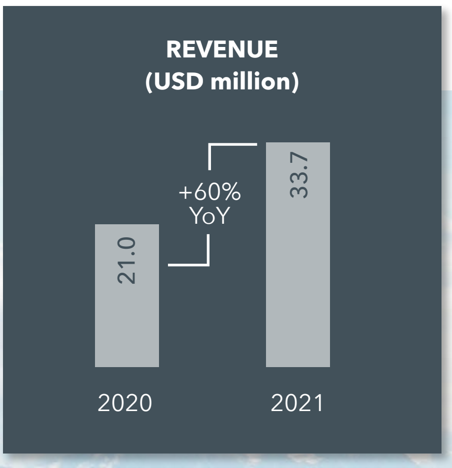
**View $CO_2$** with 10 year battery lifetime

**7**

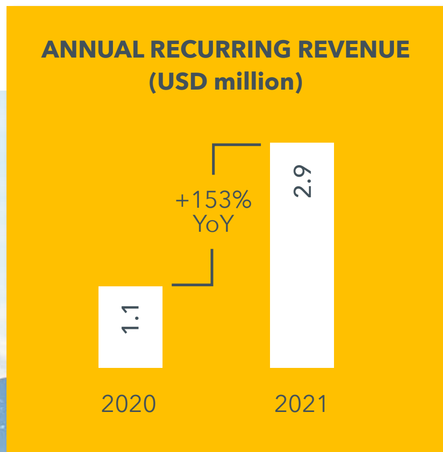
Our brand awareness is growing rapidly and the web traffic at

**airthings.com**

increased to more than 2 million unique visitors in 2021







# The year in brief

Airthings ASA reported a strong 2021 with revenues growing 60% to USD 33.7 million. Growth was solid across all three business segments. Demand has been even stronger than the revenue figures indicate, as production capacity has been held back by component shortage.

Annual Recurring Revenue (ARR) came in at USD 2.9 million at the end of 2021, representing growth of 153% from 2020. The growth primarily reflects the strong progress in the Airthings for Business segment – a segment which made a step change from USD 1.4 million in revenues in 2020 to USD 6.9 million in 2021.

Gross profit margin was 61% for the full year, which was a decline from 2020 mainly due to changes in the product and channel mix in the Consumer segment and higher component prices. This was partly offset by a higher share of recurring revenue from the Software-as-a-Service offering in Airthings for Business. Recurring revenues in this area generate gross profits of over 80%.

Despite the global supply chain challenges, Airthings can look back at several significant highlights throughout 2021: the releases of View Plus and View $CO_2$ for Business, two material Airthings for Business partnerships with Carrier Corporation and Quebec Government, the rolling-out in thousands of new stores across the US in Walmart, CVS and Home Depot, the launch of My Pollen Levels in the Airthings App, and the acknowledgement as an industry leader in the Frost & Sullivan Indoor Air Quality Systems Report. We see significant growth potential for 2022 after building up product stock and look forward to delivering into a strong market momentum going forward.

## Quarterly highlights

### 1Q

Airthings successfully launched its most advanced air quality monitor View Plus at CES, as well as a new in-app feature, My Pollen Levels. The company also signed a deal with Walmart to roll out in nearly 800 stores in the consumer segment.

### 2Q

Airthings for Business signed a key partnership with Carrier Corporation. In Consumer, the products were rolled out in more than 3,000 CVS stores in the US, raising the total store count to over 5,500. View Plus began shipping to customers, accelerating market traction and marketing activities.

### 3Q

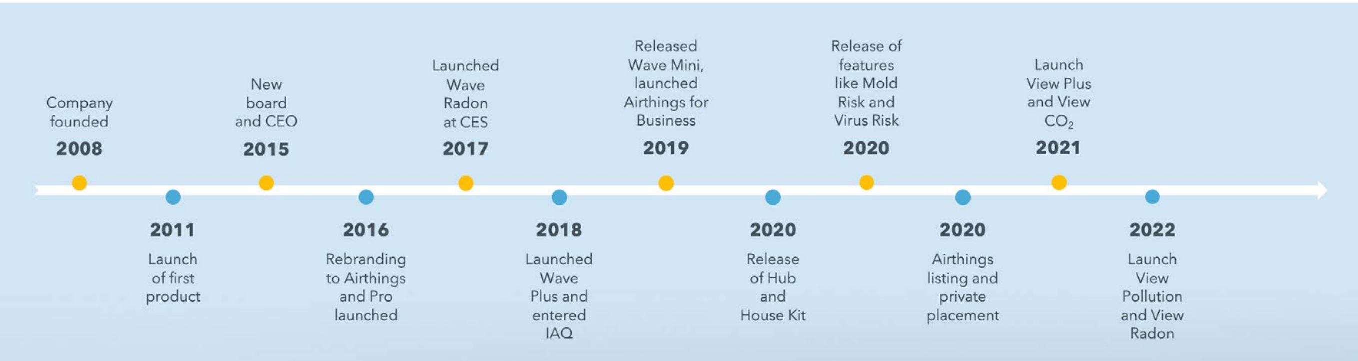
Airthings for Business was awarded a 10-year contract with the Quebec Government to supply air quality monitoring in all private schools. View $CO_2$ for Business was launched, a new offering enabling further sales opportunities in Airthings for Business and within the Quebec contract. In Consumer, we grew our retail footprint and we are now available in more than 1,300 Home Depot locations.

### 4Q

The fourth quarter included the successful launch of the View series products View Pollution and View Radon, as well as a record-breaking quarter for Airthings for Business in terms of revenue. Frost & Sullivan selected Airthings as industry leaders in their Indoor Air Quality Systems Report, highlighting our growth and innovation.

# This is Airthings ASA

**Airthings is a leading global technology company of award-winning radon and indoor air quality solutions for homeowners, businesses, and professionals. Founded in 2008, Airthings is on a mission to ensure that people and businesses around the world recognize the importance and impact of indoor air quality and take control of both health aspects and energy consumption through simple, affordable, and accurate technology solutions.**




Airthings' products have made radon detection and indoor air quality monitoring easy to deploy, accurate, and user friendly. Our technology has received several accolades including the TIME's Best Inventions award and CES Innovation Award Honors. Frost & Sullivan positions Airthings as industry leader in global indoor air quality market in their 2021 Global Indoor Air Quality Systems report.

Headquartered in the heart of Oslo, Norway, and with offices in the US and Sweden, the company is growing from a current base of over 140 employees from more than 35 nationalities.

## Our story

Every idea starts with a problem, and radon testing for homeowners had not improved in almost 30 years. Concerned consumers only had two options - to call a professional to test their radon levels, or to purchase a single-use charcoal test which was then sent to a lab for analysis. Several particle physicists working together at CERN (European Organization for Nuclear Research) saw an opportunity to improve the radon market, and help consumers and businesses take control of their indoor air quality. This was the foundation for the establishment of Airthings in 2008.

We have since branched out from a pure radon focus, into monitoring and controlling of a wide range of air quality issues for homes, businesses, and professionals. On top of this, our products also enable significant energy savings in buildings and contribute to reduced emissions and a lighter environmental footprint.

## International expansion & recognition

Airthings have taken a global distribution approach, combining a strong presence in leading online stores with availability in nearly 800 Walmart stores, 3,000 CVS stores, and 1,300 Home Depot stores in the US, and a wide range of regional and national retail chains in several other countries.

Airthings is also building strong relations with leading B2B partners and last year strengthened the position in the business market with


the signing of a major strategic agreement with Carrier Corporation, a leader in the heating and air conditioning market. The company also won a large tender with the Quebec government in Canada to supply air quality monitoring in all private schools over the next 10 years.

## Our technology

Since the start in 2008, Airthings has introduced a steady stream of innovative solutions for consumers, businesses, and professionals to tackle indoor air issues such as radon, particle pollution (particulate matter, PM 2.5), carbon dioxide ($CO_2$), mold risk, airborne chemicals (VOCs) and virus risk. Airthings for Business Indoor Air Quality (IAQ) monitors can be used to satisfy air requirements for the WELL Building Standard, and the products are RESET accredited, demonstrating our high standards in the IAQ market.

The heart of our system is in the cloud where we turn data into advanced analytics. Airthings is gathering tremendous amounts of anonymized data from sensors in homes and buildings around the world, which are being used to add real insights for our customers.

From industrial design and radio protocol to app creation, software and firmware, our technology and solutions are developed in-house. Most of our products are smart products with corresponding apps, online dashboards, advanced cloud analytics, and APIs. Airthings now offers digital radon detectors as well as smart indoor air quality monitors and solutions for professionals, homes, schools, offices, and other commercial buildings, and is continuously adding new features. This is earning us our reputation of true leadership in the industry.

# Business overview

**Airthings is a hardware-enabled software company developing, innovative products and systems for monitoring of indoor air quality, radon, and energy efficiency, with a stated goal to be a global leader in these areas. Airthings sells to consumer market, the commercial business market, and to professionals within radon and air quality monitoring, reporting across the three business segments Airthings for Consumer (Consumer), Airthings for Business (AfB), and Airthings for Professionals (Pro).**

## Airthings for Consumer (Consumer)

Airthings for Consumer offers a range of top-of-the-line air quality monitors to anyone who wants to create and maintain a healthy home environment. We are the global leader in the consumer air quality market with revenue in this segment increasing 36% to USD 23.6 million in 2021. Our largest market is currently in the US. Airthings' strategy is to expand our global presence by working with more premium retailers and e-commerce partners worldwide.

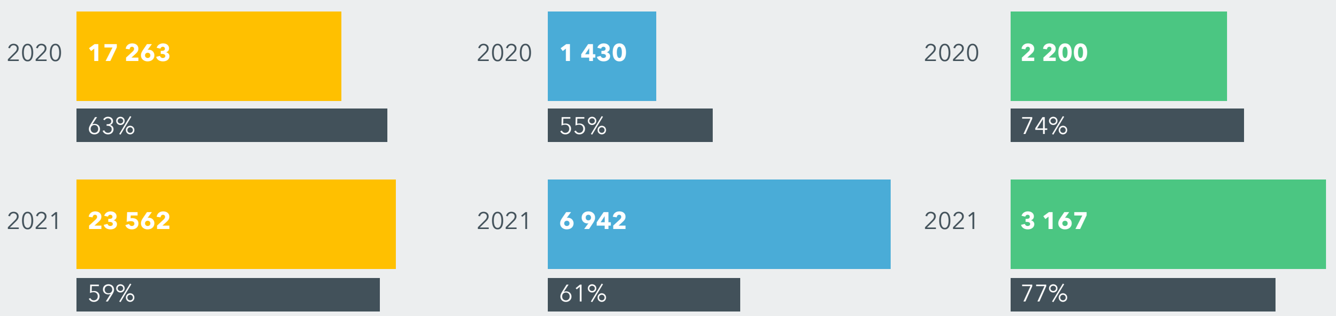
## Airthings for Business (AfB)

Airthings for Business is our B2B segment, offering air quality solutions to schools, office buildings, and other commercial buildings. Launched in 2019, Airthings for Business has grown significantly over the last three years and sees strong momentum. Revenue in 2021 reached USD 6.9 million, an increase of 386% over 2020. An increasing share of this is recurring revenue, based on a Software-as-a-Service model. Customers can monitor indoor air quality with actionable insights and remotely make decisions to save energy and improve productivity and wellbeing.

## Airthings for Professionals (Pro)

Airthings for Professionals provides an NRPP/NRSB certified radon measurement device tailored toward home inspectors and radon professionals. Measurement professionals enjoy an easy-to-use application, coupled with a dashboard to organize their business.  Airthings offers devices, calibration services, leasing options, and an Affiliate Program for its users. Our Pro segment grew by 44% from 2020 to 2021, reaching USD 3.2 million in revenue.

**Revenue and gross profit margin (USD 1,000)**



# Letter from the CEO

Dear Airthings Community,

2021 was another magnificent year for Airthings and I want to take the opportunity to thank the team of highly skilled and passionate employees for the efforts they have put in over the past year. We have so much to be proud of including:

- We grew our revenues by 60%, with continuing solid growth for Consumer, a step change in revenue for Airthings for Business, and strong growth also for our Pro segment
- We expanded our Consumer sales channels significantly, entered new B2B partnerships in Airthings for Business, and signed a groundbreaking deal with the Quebec government for long-term air quality monitoring in schools
- We successfully launched View Plus series - the most advanced air quality monitors on the market – and received great reviews
- We continued our work to help increase global awareness about air quality and to promote Airthings as the best solution to secure families, students and employees everywhere to breathe cleaner air.

The Consumer business continued to make strong progress, despite significant supply limitations, with revenue increasing by 36% to USD 23.6 million, and with major expansion of retail sales channels into thousands of Home Depot, Walmart, and CVS pharmacy stores in the US. The launch of the View Plus generated strong demand in these channels, although global supply chain issues and logistic challenges rendered us unable to produce enough of the View Plus to meet demand. We expect these challenges to ease going forward.

Airthings for Business made incredible advances in 2021, such as the signing of a strategic co-operation agreement with Carrier Corporation, a leader in the heating and air conditioning market. With the rise of legislation and government concerns over health and air quality in public indoor spaces, Airthings for Business is fantastically positioned to help any business improve monitoring and control of both their air quality and energy consumption. Revenue increased more than fourfold to USD 6.9 million in 2021, with the large contract for schools in Quebec boosting revenue in the fourth quarter.

We are ready to drive Airthings for Business to new heights in 2022 and look forward to doing more in-person events for both partners and clients. The success of the Air Summit event in Oslo in September 2021 shows the importance of building relationships with key players in the industry to help businesses take control of the air in their buildings. Exciting new features like our Public Dashboard and Building Pressure will help drive growth going forward, and there is so much more to come.

Our Pro division is also taking huge steps forward, with an impressive revenue increase of 44% to USD 3.2 million in 2021. With growing demand, a new app, opening of the first radon calibration lab, and much more, the Airthings Pro division is a favourite of home inspectors and radon professionals across the globe.

We are on a responsible growth journey and are working to ensure that people around the world can take control over their air quality with simple, sustainable, and accessible technology solutions for every building and home. This will benefit both people and the planet. In 2022, we launched the unbranded airforkids.com site to educate children about the air we breathe and have set a goal to educate a million people by 2026.

We joined the UN Global Compact in 2020 and with the release of our first Sustainability Report in 2021 we are thrilled to announce that documented $CO_2$ savings from less than 0.5% of our customers exceeds Airthings' total $CO_2$ emissions reported for 2020. This is just the beginning, and as CEO of Airthings I can assure you of our commitment to continue to advance our positive ESG-impact in the years to come. After the end of the year, we received a Silver Rating from the sustainability ratings organization Ecovadis. This is an acknowledgement of our quality across environment, ethics, labor & human rights, and sustainable procurement, placing us among the top-25% of all rated companies.

Thank you to everyone in the Airthings team and our partners and customers who have helped us reach our goals this year. I look forward to our future together.

**Oyvind Birkenes**
CEO, Airthings

# Board of Directors Report

Airthings is a hardware-enabled software company developing, marketing and offering innovative products and systems for monitoring of indoor air quality, radon, and energy efficiency, with a stated goal to be a global leader in these areas. The company sells to the consumer market, the commercial business market, and to professionals within radon and air quality monitoring. Airthings also reports across these three business areas; Airthings for Consumer (Consumer), Airthings for Business (AfB), and Airthings for Professionals (Pro). Headquartered in in Oslo, Norway, Airthings ASA has two wholly owned subsidiaries, Airthings America Inc. in the US and Airthings AB in Sweden.

Airthings ASA - the parent company of the Airthings Group – was admitted to trading on Euronext Growth in Oslo in October 2020 and aims for an up-listing to the Oslo Stock Exchange during 2022.

Airthings is a global provider of indoor air quality solutions, with the key markets in the US and Europe representing 71% (75%) and 29% (25%) of revenue in 2021, respectively. The company's strategy is to work closely with e-commerce partners, premium retailers, key commercial B2B partners, and home inspectors and radon professionals to provide our premium solutions to customers across all three business segments through the most effective sales channels. Amazon currently represents the company's biggest sales channel, mainly directed towards consumers. Going forward, Airthings will continue its global expansion by growing its presence with both new and existing partners worldwide.

Historically, Airthings has mainly directed its efforts towards the consumer market. However, with the launch of Airthings for Business in 2019 the company opened new market opportunities and a new business model generating high-margin recurring revenue through a Software-as-a-Service model. Airthings for Business saw significant growth in 2021, with recurring revenue increasing as a share of total revenue.

## Financial summary

The Airthings Group ("the Group") has converted the consolidated financial statements to the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and restated the financials for both 2021 and 2020 for comparison. As part of the implementation of IFRS the Group changed its presentation currency to USD. The functional currency of the parent company is NOK. Please see note 8.1 for details on first time adoption of IFRS.

All financial statements in this report are presented on a going concern basis in accordance with the Norwegian Accounting Act section 3-3a, and the Board of Directors confirms that the prerequisites for a going concern assumption are indeed present.

Airthings grew both revenue and gross profit during 2021, which was a very eventful year including the commercial breakthrough of Airthings for Business and continued strong demand in both the Consumer and Pro segments.

## Income statement

Revenues in 2021 amounted to USD 33.7 million, up 60% compared with USD 21.0 million in 2020. This comprised USD 33.7 million in revenues and USD 0.03 million in other operating income. Gross profit grew by 55% in the period, reaching USD 20.7 million for 2021. The gross margin for the full year 2021 ended at 61%. This compares with 64% in 2020, with the decrease mainly attributed to changes in the product and channel mix in the Consumer segment and higher component prices. EBIT decreased from a loss of USD 5.5 million in 2020 to a loss of USD 9.4 million in 2021. This reflects the ongoing global expansion, with investments into sales, marketing, and R&D as the significant contributors to higher personnel expenses. Depreciation increased from USD 0.7 million to USD 1.3 million in 2021, due to office expansion in addition to investments in production tools.

Net financial items mounted to positive USD 0.1 million in 2021, compared to a negative USD 0.7 million in 2020. The company has limited interest-bearing debt, and the net financial items consist primarily of exchange rate fluctuations between USD and NOK.

Net loss before taxes was USD 9.3 million in 2021, compared to a net loss before taxes of USD 6.2 million in 2020. Tax income was USD 2.1 million. This generated a net loss of USD 7.3 million which compares to net loss of USD 4.1 million in 2020.

### Balance sheet

Airthings Group had total assets of USD 83.7 million at the end of 2021, down from USD 91.0 million at the end of 2020. Current assets amounted to USD 67.3 million, including cash and cash equivalents of USD 42.2 million. Non-current assets amounted to USD 16.3 million, which mainly comprises right of use assets, deferred tax assets, and goodwill relating to the Airtight acquisition in 2020.

Airthings Group had total liabilities of USD 15.8 million as per December 31, 2021, up from USD 14.3 million at the end of 2020. Total liabilities consist primarily of lease liabilities, trade payables, contract liabilities, and other provisions.

In 2021, Airthings Group increased its share capital by NOK 12 108.00 to NOK 1 718 164.37 allocated across 171 816 437 shares, each with a nominal value of NOK 0.01. The increase was driven by share issue in connection with the employee option program.

As of 31 December 2021, total equity amounted to USD 67.8 million, corresponding to an equity ratio of 81%. This compares to total equity of USD 76.6 million and an equity ratio of 84% in 2020.

### Cash flow statement

Airthings Group's cash flow from operating activities was negative USD 15.9 million in 2021, down from negative USD 4.4 million in 2020. This was driven by a planned expansion which generated a loss before tax of USD 9.3 million and increasing working capital requirements. The latter was accentuated by the increased spending to secure inventory in a globally tight semiconductor market.

Total cash flow from investments was USD -1.0 million in 2021, compared to USD -1.9 million in 2020. The main drivers in 2020 were cash payments related to the Airtight acquisition.

Cash flow from financing was USD -2.6 million in 2021, including repayment of interest-bearing debt of USD 1.9 million in January 2021.

Cash and cash equivalents hence declined to USD 42.2 million at year-end 2021, down from USD 62.9 million at the end of 2020. The net cash spending reflects the company's strategy to invest in growth, in particular increasing marketing and sales costs.

### Allocation of net profit

The consolidated accounting loss for 2021 was USD 7.3 million, with the proposed allocation of the net profit for the year shown in the Annual Financial Statement.

## PARENT COMPANY ACCOUNTS

(Figures for 2020 in brackets)

The annual accounts for the parent company Airthings ASA have been prepared according to Norwegian Generally Accepted Accounting Principles (NGAAP). The functional currency of the parent company is NOK.

Airthings ASA's revenue from sales amounted to NOK 285.8 million (204.0) and other revenue to NOK 0.2 million (1.2). Gross profit was NOK 170.4

million in 2021 (135.0). Operating expenses amounted to NOK 250.2 million (177.4), and loss before tax was NOK 86.5 million (48.6). Tax income was NOK 17.8 million in 2021 (18.5), generating a net loss of NOK 68.7 million (-30.1).

Total assets amounted to NOK 694.7 million at year-end 2021 (746.6), whereof current assets represented NOK 551.9 million (633.6). Total equity was NOK 607.0 million per December 31, 2021 (671.3).

Current liabilities was NOK 87.7 million per year-end 2021 (75.3), whereas the parent company had long term liabilities of NOK 9.6 million (12.3) related to an employee share option program.

Net cash flow from operating activities was negative NOK 101.5 million (-50.5), and net cash flow from investing activities negative NOK 49.3 million (-35.0). This included an increase in goodwill and R&D due to the merger with Airtight. Net cash flow from financing activities was negative NOK 14.5 million (563.7) due to repayment of interest-bearing liabilities in 2021. Cash and cash equivalents in the parent company hence declined to NOK 360.0 million per December 31, 2021 (525.4), reflecting the investments to facilitate the rapid upscaling of the company.

## RISKS AND RISK MANAGEMENT

The Group is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Group seeks to minimize potential adverse effects of such risks through sound business practice, risk management, and hedging.

Risk management is a continuous process and an integrated part of the Group's business. When operating across multiple markets, Airthings is exposed to a range of risks that may affect its business. The key risk areas are discussed below.

### Liquidity

Liquidity represents the risk where the Group may potentially encounter difficulty 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 has a strong cash position of USD 42 million, which the Board of Directors consider sufficient to fund the Group's growth strategy towards in long-term revenue targets. The liquidity risk is hence considered to be limited.

### Credit

Credit risk represents the possibility of a counter-party not meeting its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is mainly exposed to credit risk from its operating activities.

The credit risk is low in the Consumer segment, where most sales are based on upfront or simultaneous payment, and the Group may also seek advance payments to offset risk on trade receivables in the other segments. Additionally, the Group manages its credit risks

by trading with creditworthy third parties. The Group has close connection with its customers and receivable balances are monitored on an ongoing basis. It is the Group's policy that all customers wishing to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity, and financial position.

The Group's exposure to losses have historically been low. However, the increased operations of the Group outside the US and home markets exposes Airthings to different credit risk environments. The Board of Directors deems credit risk to be at an acceptable level given the current operational circumstances and outlook of the Group.

### Foreign currency

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency fluctuations due to the international nature of its operations. The Group's exposure to the risk of fluctuations in foreign exchange rates relates primarily to the Group's operating activities (revenue and expenses denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. A significant part of revenues is denominated in USD, with a small portion incurred in NOK, EUR and CAD. Most of its operating expenses are incurred in NOK. Further, the Group could also potentially be negatively affected by fluctuations in other currencies in the future. The Group does not currently hedge currency exposure with the use of financial instruments but monitors the net exposure over time.

### Interest rate

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's borrowings have historically been exposed to interest rate fluctuations. As all borrowings were repaid in January 2021, the Group does no longer have any significant interest rate risk related to interest-bearing liabilities.

## CORPORATE GOVERNANCE

Airthings considers sound corporate governance to be a prerequisite for value creation, trustworthiness, and access to capital. To secure strong and sustainable corporate governance, it is important that Airthings ensures appropriate and healthy business practices, reliable financial reporting, and an environment of compliance with legislation and regulations across Airthings Group.

Airthings ASA is incorporated in Norway in accordance with the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (the "NPLCA") and is subject to Norwegian law. The shares of Airthings are listed on Euronext Growth. As a Norwegian public limited liability company listed on Euronext Growth, Airthings complies with the Norwegian Securities Trading Act, the Continuing obligations for companies listed on Oslo Børs, the Norwegian Public Limited Liability Companies Act and all other applicable laws and regulations.

The Company endorses the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board on 14 October 2021, as amended from time to time (the "NUES Code").

The applicable governance principles in Airthings are articulated in a set of corporate governance principles which are approved by the board of directors. These apply to all of Airthings' subsidiaries as well as Airthings ASA.

Shareholders exercise the ultimate authority in Airthings through the Annual General Meeting, where all shareholders are entitled to attend. The board of directors encourages all investors to participate at the AGM.

Financial reporting in Airthings is built on reporting from the individual legal entities, which are reported monthly according to a pre-defined process and conveyed to the Group Finance team in a standardized format. These financial statements are reviewed by the Group Finance team before being consolidated into a set of consolidated financial statements for the Group. Based on these consolidated financial statements, management in Airthings reports on the financial performance of the Group to the board of directors monthly. Furthermore, management prepares detailed quarterly financial reporting which is approved by the board of directors and published externally.

Airthings ASA and subsidiaries are covered by Directors and Officers liability insurance. The insurance indemnifies directors and officers for defence costs and potential legal liability arising out of claims made against them while serving on a board of directors and or as an officer. The insurance policy is issued by a reputable, specialized insurer with appropriate rating.

## AIRTHINGS' SUSTAINABILITY JOURNEY: FOR PLANET, FOR PEOPLE, FOR BUSINESS

Airthings is a purpose-driven company that cares about making a difference for people, planet, and business. Our mission is to empower the world to breathe better. As leaders in indoor air quality monitoring, focused on the health and wellbeing of homes and businesses alike, sustainability is close to our heart and part of our core values.

2021 was a milestone year at Airthings, as we continued our sustainability journey, building a holistic sustainability strategy throughout our value chain. The 17 United Nations (UN) Sustainable Development Goals (SDGs) became the pillars of our framework, with a specific focus on 6 SDGs.

Airthings' mission to empower the world to breathe better contributes directly to SDG#3 health and wellbeing. Airthings for Business supports both SDG#11 sustainable cities and communities and SDG #13 climate action, by making buildings smarter through data-driven solutions. To address SDG #12, responsible for consumption and production, we work to understand the impact of the whole life cycle of our products. Our dedication to the company culture and human rights, diversity, and inclusion are a part of our contribution to SDG #8, decent work, and economic growth. Finally, we contribute to SDG#4 quality education. We help to improve indoor air quality in schools and empower teachers to educate children about the air.  We continue to be a part of the UN Global Compact and support its 10 principles.


In 2021, we focused on developing regular monitoring to a deeper granular level of our different environmental, social, and governance indicators throughout our value chain. One of the most exciting highlights of 2021 was earning a silver Ecovadis sustainability rating. Entitled "The World's Most Trusted Business Sustainability Ratings,"[1] Ecovadis' is an independent and unbiased evaluation that covers four different categories: the environment, ethics, labor, human rights, and sustainable procurement. Using their evidence-based assessment, the organization ranks companies in categories from zero to platinum. We are thrilled to have been awarded a silver ranking, putting us in the top 25% of companies evaluated. As this is our first year being considered, we are encouraged by the high score and are dedicated to working towards continually improving our score.


As a medium-sized company, with <500 employees, we are not subject to report on the new EU Taxonomy, but we are considering adapting our business activity reporting to be inline. We can already contribute directly to the scope of mitigation of climate change through the data-driven solutions, while not causing significant harm to the other 5 categories. Furthermore, our products can help our customers as the activity could be considered Taxonomy aligned.

Let us walk you through how Airthings products contribute positively to the 3 dimensions of sustainability for the planet, for people, for business and how we are working internally to improve in these dimensions.

[1] https://ecovadis.com

## We have big sustainability goals and a solid ESG strategy for how we will achieve them:


### For planet:

### How Airthings products can promote energy efficiency and avoid $CO_2$ emissions in buildings

The environmental impact from buildings can be broken down into the construction of the building versus the energy needed for everyday operations. 36% of the total greenhouse gases emissions come from energy production for buildings.

Therefore it is very important to reduce wasted energy and improve the efficiency of buildings. From a small sample of case studies from 20 customers, we have seen the potential our products have to help our users make data-driven decisions to save energy. We are thrilled to see that our customers avoided more than 2000 tons of $CO_2$ emissions in 2021. These savings are higher than Airthings' operational $CO_2$ emissions in 2020. We empower our customers to reduce their energy consumption by giving them tools to make effective decisions while managing their buildings.

Facility managers are able to remotely monitor air quality and climate, and they can minimize the energy consumed and maximize comfort. The best way to improve efficiency in the building is to ensure energy is not wasted on heating, cooling, ventilation, and lighting in rooms that aren't being used. Similarly, tracking patterns of occupancy and utilization of the building and using this to optimize the HVAC systems can minimize wasted energy and maximize employee performance.

With our easy-to-use APIs this is possible. Globally, much of the current building stock is older and has numerous systems. Airthings' system enables even older HVAC systems to be more data-driven with our new insights for facility managers. Our next step is to further automate systems to optimize air quality with minimal manual effort.

### How Airthings understands the lifetime impact of our product

Throughout 2021, we completed two major analyses to get an overview of our internal carbon footprint. First, following ISO 14040 - 14044, we performed a Life Cycle Assessment (LCA) for five of our products (View Plus, Wave Series, Home, Hub, and Wave Mini). We delineated our goal and scope, followed a data collection and inventory analysis, and finished with an impact assessment and interpretation. Likewise, we focus on high-quality products and aim for >10 years lifetime for the hardware and the experience.

Secondly, using financial statements, we calculated the total carbon footprint of Airthings across scope 1, 2, & 3 following the Greenhouse Gas Protocol. We calculated scope 2 emissions using a market-based methodology, using the European mix as a carbon factor. The total emission of scope 2 in 2021 in Oslo headquarters was 20 tons of $CO_2$ eq. At the same time, over 98% of our emissions were indirect throughout our value chain (scope 3). We used a combination of calculation methods and a cloud-based program focusing on all spending and their average emissions factors to calculate scope 3 emissions. This carbon accounting was compared with the LCA of our product to generate a closer overview of our emissions. More specific data from our LCA and carbon accounting will be included in our sustainability report by May 2022.

## For people:

### How Airthings products help occupants breathe healthier air

Air pollution is the presence of substances above the natural level in the air. Polluted air can be harmful to the environment and to humans. Globally, 9 out of 10 people breathe air that exceeds WHO recommended limits for pollutants. Likewise, we spend 90% of our time indoors, where most of the contaminants are circulating because of poor ventilation. Therefore, understanding indoor air quality is vital to taking control of our health. Airthings does advanced cloud analytics using existing and historical data from our devices to empower people (both individuals and businesses) to control air quality, climate, and energy usage. There are many types of invisible pollutants in the air we breathe that affect human health: $CO_2$, radon, particulate matter (PM), volatile organic compounds (VOCs), mold, humidity, etc. By helping our customers visualize what is in their air, we can help them mitigate air pollutants, reducing their risk of exposure and potentially disease. We have witnessed through customers' interviews and comments that they are taking actions like providing more ventilation, installing radon mitigation systems, air purifiers, and humidifiers or dehumidifiers because of the insights provided by Airthings.

### How Airthings is pursuing a social responsibility from the inside

Our goal is to foster a diverse and inclusive work culture. The first step Airthings took towards improving our social responsibility within our daily operations and our supply chain was to develop governance policies. We drafted a policy on human rights, diversity, and inclusion following the principles laid out in the Universal Declaration of Human Rights.

We also determined our baseline metrics of diversity. In 2021, the average number of FTEs was 96. Our employees have reported high satisfaction with the working environment, with an Employee net promoter score (ENPS) of 46, and we continuously strive to achieve incremental improvements. Absence due to sickness amounted to 0.38% in 2021. No personal injuries or damages were registered in 2021.

Our employees currently represent more than 35 nationalities and 28% identify themselves as female. We are aiming for a gender balance of 40-60% women. Likewise, we are setting new targets per team in 2022. Generally, the tech industry is characterized by a low share of female employees. To counter this, Airthings is working systematically to improve the share of female employees at all levels. One of the company's objectives is to offer equal salary and career opportunities regardless of gender. Our Board of Directors is balanced in terms of gender, with

4 men and 4 women, and includes employee representatives. More information and equality statement can be found at www.airthings.com.

Our culture at Airthings is one of the aspects we are most proud of as a company. A positive and healthy culture is key to creating an organization that upholds our company values of Dare, Love, and Focus. In 2021, we continued investing in our people, bringing more people on board to help expand our business and reach our goals. We are continually improving our hiring processes by making them more transparent to ensure we find and attract a diverse group of top talent which we onboard through training programs to cultivate an inclusive community. Even as we grow, we aim to maintain an egalitarian atmosphere where everyone feels valued, heard, and empowered.

As part of our goal to educate 1 million children about air quality, we launched Air for Kids last year. With this fun and educational project, we aim to teach about what's in the air we breathe for curious kids, parents, and teachers everywhere. We have created multiple educational blogs with accompanying quizzes for the kids to see how much they have learned. The quizzes were completed by 245 unique visitors in 2021.

We also launched our first air quality poster contest. Through direct outreach, we educated 30 kids on air quality, and we reached 2,900 visitors with our website so far.

AIR FOR KIDS

**For business:**

### How Airthings products can help improve our customers' business

We have continued to empower the world to breathe better in 2021. More than 10,000 schools, 3,000 buildings, and 41,000 business sensors are driving our goal to enable 4,000,000 people to breathe healthier air and energy efficiency by optimizing both of these elements.

Frydenbø Group is an industry leader in commercial real estate in Norway, owning over 110,000 sqm of commercial space. They have been innovators in the property management space and installed their first Airthings sensors in 2019. By integrating the data-driven Airthings for Business solution into their system, they took the correct actions to decrease their energy consumption by 16%.

When at work and in the classroom, we exhale $CO_2$, which can accumulate in poorly ventilated classrooms, lecture halls, and offices. Excess levels of the gas are linked to higher risk of spreading viruses and bacteria's, and to restlessness, drowsiness, increased heart rate, higher blood pressure, excess sweating, and headaches. Research has found a 12% decrease in sick days and 100% improvement in cognitive scores when the indoor air quality in buildings was improved.

### How Airthings is strengthening its governance

We have strengthened our governance by establishing six new policies and guidelines to our way of working: circular principles; human rights, diversity, and inclusion policy; suppliers' code of conduct; whistleblower guidelines and reporting portal; sustainable procurement guidelines; and travel guidelines. We have also updated the employee handbook according to these recent additions. We had no reported cases of human rights violations or child labor from our key suppliers.

### When will the sustainability report 2021 be published?

There is so much great work being done within Airthings on how we can become a more environmentally responsible, circular, and people-focused company. 2021 measured our baseline for sustainability at Airthings and now we can continue to build upon this foundation as we grow as a company. Details about our work can be found in our upcoming Annual Sustainability Report, which will be released in May 2022. We aim to pursue economic growth without causing harm to the environment and take good care of the people involved in our value chain.

## OUTLOOK

Airthings' key focus for 2022 is to capitalize on the current land grabbing opportunity and continue its expansion in both existing and new geographical markets. Airthings ended 2021 with an undelivered backlog of around NOK 10 million, providing a strong start to 2022. Going forward, the company sees higher production volumes for View Plus, although uncertainties remain with regards to the availability of components. Airthings is continuously monitoring the component market and proactively taking steps to mitigate the situation and secure production going forward. Certain components may however not be available in the quantities required to fully satisfy the strong market demand Airthings is experiencing.

Airthings has set a bold NOK1bn revenue target for 2024 - purely based on organic growth - but maintains an opportunistic view on potential acquisitions. The Board and management share a strong belief in continued positive market demand for Airthings' products and services and strong confidence in the ability to successfully turn this market opportunity into profitable growth in the years to come. Airthings' growth model has been backed by high investments in technology, people, brand awareness, and marketing, and the cost intensity is set to decline with increasing scale and a higher share of high-margin recurring revenue going forward.
The company aims for break-even on the EBITDA-level during 2023, and expects gradually improving operational leverage to allow for long-term EBITDA-margins above 25%.

*This report contains certain forward-looking statements that involve risks and uncertainties and that reflect current views about future events and are, by their nature, subject to significant risks and uncertainties. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. You should therefore not place undue reliance on forward looking statements.*

*Oslo, March 30, 2022*

**Aksel Lund Svindal**
Chairman of the Board

**Liv Hege Dyrnes**
Board member

**Lars Rahbæk Boilesen**
Board member

**Geir Førre**
Board member

**Emma Tryti**
Board member

**Anlaug Gårdsrud Underdal**
Board member

**Tore Helge Rismyhr**
Board member

**Karin Berg**
Board member

**Øyvind Birkenes**
CEO

# Statement of the Board of Directors and CEO

## Responsibility Statement

- The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, that the financial statements for 2021 have been prepared in accordance with IFRS as adopted by the EU, with additional information as required by the Accounting Act, and give a true and fair view of the Group's Consolidated financial statements and the Group's assets, liabilities, financial position and results of the operations.
- We also confirm that the report by the Board of Directors provides a fair overview of the parent company and the Group and its development, financial results and position, and describes the Group's key risks and uncertainties.

*Oslo, March 30, 2022*

| | | | |
|---|---|---|---|
| **Aksel Lund Svindal**<br>Chairman of the Board | **Liv Hege Dyrnes**<br>Board member | **Lars Rahbæk Boilesen**<br>Board member | **Geir Førre**<br>Board member |
| **Emma Tryti**<br>Board member | **Anlaug Gårdsrud Underdal**<br>Board member | **Tore Helge Rismyhr**<br>Board member | **Karin Berg**<br>Board member |

**Øyvind Birkenes**
CEO

# Shareholder information

Airthings' objective is to provide strong value creation and positive long-term returns to the company's shareholders. The Company plans to achieve this by delivering on an ambitious business plan, and through precise, timely and relevant communication that enable investors to evaluate the Company's current status, the prospects for profitable growth, and the inherent operational and financial risks.

### Investor relations

Clear and accurate communication with investors and analysts, both in Norway and internationally, is a high priority for Airthings. A key objective for the company is to ensure that investors, potential investors, other stakeholders and the market in general have simultaneous access to accurate, clear, relevant, and up-to-date information about Airthings. To facilitate this, the Group will hold quarterly presentations of its quarterly results, with attendance from senior management. These presentations will be open to the investor community, media and the public at large, and will also be made available online. All investor relation activities are conducted in compliance with applicable rules, regulations, and recommended practices.

### Devoted to good Corporate Governance

Airthings considers sound corporate governance to be a prerequisite for sustainable value creation and trustworthiness, and for access to capital at a fair cost of capital.

Airthings' stakeholders should demand that the company follows healthy business practices and ethical business conduct, operates in compliance with all relevant legislation and regulations across the Group, and presents reliable financial reporting.

Airthings Board-approved governance regime maintains governance documents describing the principles for its business conduct, which applies to all of Airthings' subsidiaries as well as Airthings itself.

### Employee Share Purchase Program

Airthings believes its employees should be given the opportunity to participate in the value creation, and has established a share-based payment program in which all employees are granted share options upon employment. For further details, please see note 6.8.

### Share capital

On December 31, 2021, the share capital in the company amounted to NOK 1 718 164,37, distributed across 171 816 437 shares with a nominal value of NOK 0.01 per share. Airthings has one class of shares, with each share carrying one vote. Firda AS was the largest shareholder with 25 826 543, or 15.0%, of the share capital at the end of 2021.

### Shareholders' Authorization to the Board to Increase Share Capital in the Group

The Extraordinary General Meeting (EGM) on October 22, 2020 authorized the board of directors to increase the share capital by up to NOK 663 306, of which NOK 385 807 remains. On May 5, 2021 the Annual General Meeting (AGM) gave the board of directors three separate authorizations to increase share capital; up to NOK 427 823 in connection with investments general purposes and transactions (NOK 427 823 remains), up to NOK 73 565 in connection with a new incentive program and current granted options (NOK 62 316 remains), and up to an aggregate nominal value of NOK 171 129 to acquire treasury shares (NOK 171 129 remains).

All above authorizations are valid until the Airthings AGM in 2022, however no longer than until June 30, 2022.

| Shareholder | Shares | Ownership |
|---|---|---|
| Firda AS | 25 826 543 | 15.0% |
| Verdipapirfondet KLP Aksjenorge | 7 762 222 | 4.5% |
| Rabakken Invest AS | 5 800 364 | 3.4% |
| Atlas Invest AS | 5 637 468 | 3.3% |
| Halvor Wøien | 4 879 522 | 2.8% |
| Erlend Peter Johnsen Bolle | 4 819 722 | 2.8% |
| Victoria India Fund AS | 4 558 131 | 2.7% |
| J.P. Morgan Bank Luxembourg S.A. | 4 433 967 | 2.6% |
| Sundal, Bjørn Magne | 4 364 999 | 2.5% |
| Yoshioka, Koki | 4 166 650 | 2.4% |
| Other | 99 566 849 | 57.9% |
| **Total shares** | **171 816 437** | **100.0%** |

| Financial calendar | |
|---|---|
| 1Q22 quarterly results | May 5, 2022 |
| Half-yearly report | July 14, 2022 |
| 3Q22 quarterly results | October 27, 2022 |
| 4Q22 quarterly results | February 9, 2023 |

| Analyst coverage | | |
|---|---|---|
| DNB | Christoffer Wang Bjørnsen | +47 24 16 91 43 |
| Arctic Securities | Kristian Spetalen | +47 95 10 08 87 |
| ABG | Øystein Lodgaard | +47 22 01 60 26 |
| SEB | Oliver Kielland | +47 21 00 85 22 |
| Carnegie | Eirik Rafdal | +47 22 00 93 78 |

| Ownership structure - Number of shares held | Number of shareholders | Number of shares | Proportion of share capital |
|---|---|---|---|
| 1-1 000 | 1 296 | 551 407 | 0.3% |
| 1 001 -10 000 | 1 046 | 4 014 252 | 2.3% |
| 10 001-100 000 | 280 | 8 599 345 | 5.0% |
| 100 001-500 000 | 66 | 15 465 384 | 9.0% |
| 500 001- | 51 | 143 186 049 | 83.4% |
| **Total** | **2 739** | **171 816 437** | **100.0%** |

# Airthings Financials

# Table of Contents

# Consolidated statement of profit or loss

| For the years ended 31 December | | | |
|---|---|---|---|
| **Amounts in USD 1,000** | **Notes** | **2021** | **2020** |
| Revenues | 2.2 | 33,671 | 20,893 |
| Other operating income | 2.3 | 28 | 123 |
| **Total revenue and other operating income** | | **33,699** | **21,016** |
| Cost of goods sold | | 13,041 | 7,576 |
| Employee benefit expenses | 2.4 | 15,127 | 9,094 |
| Other operating expenses | 2.5 | 13,566 | 9,132 |
| **Operating profit or loss before depreciation & amortization (EBITDA)** | | **-8,035** | **-4,786** |
| Depreciation and amortization | 2.6 | 1,335 | 736 |
| **Operating profit or loss (EBIT)** | | **-9,371** | **-5,522** |
| Finance income | 2.7 | 323 | 20 |
| Finance costs | 2.7 | 268 | 673 |
| **Net financial items** | | **55** | **-653** |
| | | | |
| **Profit (loss) before tax** | | **-9,315** | **-6,175** |
| Income tax expense | 2.8 | -2,055 | -2,044 |
| **Profit (loss) for the year** | | **-7,261** | **-4,131** |
| | | | |
| **Profit (loss) for the year attributable to:** | | | |
| Equity holders of the parent company | | -7,261 | -4,131 |
| | | | |
| **Earnings per share:** | | | |
| Basic earnings per share | 6.9 | -0.04 | -0.03 |
| Diluted earnings per share | 6.9 | -0.04 | -0.03 |

# Consolidated statement of comprehensive income

| For the years ended 31 December | | |
|---|---|---|
| **Amounts in USD 1,000** | **2021** | **2020** |
| **Profit (loss) for the year** | **-7,261** | **-4,131** |
| | | |
| ***Other comprehensive income:*** | | |
| *Items that subsequently will not be reclassified to profit or loss:* | | |
| Exchange differences on translation of parent company | -2,366 | 4,289 |
| **Total items that may be reclassified to profit or loss** | **-2,366** | **4,289** |
| | | |
| *Items that subsequently may be reclassified to profit or loss:* | | |
| Exchange differences on translation of foreign operations | 14 | 25 |
| **Total items that may be reclassified to profit or loss** | **14** | **25** |
| | | |
| **Other comprehensive profit (loss) for the year** | **-2,352** | **4,314** |
| **Total comprehensive profit (loss) for the year** | **-9,612** | **183** |
| | | |
| **Total comprehensive profit (loss) attributable to:** | | |
| Equity holders of the parent company | -9,612 | 183 |

# Consolidated statement of financial position

| Amounts in USD 1,000 | Notes | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | 5.1, 5.2 | 3,210 | 3,317 | 0 |
| Intangible assets | 5.1 | 2,495 | 2,332 | 418 |
| Deferred tax assets | 2.8 | 4,509 | 2,953 | 738 |
| Property, plant and equipment | 5.3 | 809 | 595 | 263 |
| Right-of-use assets | 5.4 | 4,241 | 3,578 | 2,579 |
| Other non-current assets | 3.5, 6.8 | 1,075 | 1,524 | 38 |
| **Total non-current assets** | | **16,339** | **14,298** | **4,037** |
| | | | | |
| **Current assets** | | | | |
| Inventories | 3.1 | 11,429 | 4,694 | 3,306 |
| Trade receivables | 3.2 | 11,850 | 7,000 | 4,640 |
| Other receivables | 3.2 | 1,889 | 2,041 | 1,618 |
| Cash and cash equivalents | 6.6 | 42,174 | 62,943 | 5,589 |
| **Total current assets** | | **67,342** | **76,678** | **15,154** |
| | | | | |
| **TOTAL ASSETS** | | **83,680** | **90,976** | **19,190** |

| Amounts in USD 1,000 | Notes | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 6.7 | 190 | 188 | 65 |
| Share premium | | 78,669 | 78,472 | 10,440 |
| Other capital reserves | | 1,704 | 1,096 | 636 |
| Other equity | | -12,721 | -3,108 | -841 |
| **Total equity** | | **67,842** | **76,648** | **10,300** |
| | | | | |
| **Non-current liabilities** | | | | |
| Non-current interest-bearing liabilities | 6.2 | 0 | 0 | 2,037 |
| Non-current lease liabilities | 5.4 | 3,803 | 3,243 | 2,319 |
| Deferred tax liabilities | 2.8 | 0 | 343 | 0 |
| Non-current provisions | 3.5 | 1,090 | 1,442 | 0 |
| **Total non-current liabilities** | | **4,892** | **5,028** | **4,356** |
| | | | | |
| **Current liabilities** | | | | |
| Current interest-bearing liabilities | 6.2 | 0 | 1 901 | 0 |
| Current lease liabilities | 5.4 | 670 | 473 | 260 |
| Trade and other payables | 3.4 | 7,027 | 4 139 | 2 301 |
| Contract liabilities | 3.3 | 894 | 422 | 73 |
| Income tax payable | 2.8 | 27 | 10 | 4 |
| Current provisions | 3.5 | 2,328 | 2 355 | 1 897 |
| **Total current liabilities** | | **10,946** | **9,300** | **4,534** |
| | | | | |
| **Total liabilities** | | **15,838** | **14,327** | **8,890** |
| **TOTAL EQUITY AND LIABILITIES** | | **83,680** | **90,976** | **19,190** |

*Oslo, March 30, 2022*

**Aksel Lund Svindal**
Chairman of the Board

**Liv Hege Dyrnes**
Board member

**Lars Rahbæk Boilesen**
Board member

**Geir Førre**
Board member

**Emma Tryti**
Board member

**Anlaug Gårdsrud Underdal**
Board member

**Tore Helge Rismyhr**
Board member

**Karin Berg**
Board member

**Øyvind Birkenes**
CEO

# Consolidated statement of cash flows

| For the years ended 31 December | | | |
|---|---|---|---|
| **Amounts in USD 1,000** | **Notes** | **2021** | **2020** |
| **Cash flows from operating activities** | | | |
| **Profit (loss) before tax** | | **-9,315** | **-6,175** |
| *Adjustments to reconcile profit before tax to net cash flows:* | | | |
| Net financial items | 2.7 | -55 | 653 |
| Depreciation and amortization | 2.6 | 1,335 | 736 |
| Share-based payment expense | 6.8 | 608 | 460 |
| *Working capital adjustments:* | | | |
| Changes in inventories | 3.1 | -6,736 | -1,387 |
| Changes in trade and other receivables | 3.2 | -4,697 | -2,783 |
| Changes in trade and other payables and contract liabilities | 3.3, 3.4 | 3,360 | 2,188 |
| Changes in provisions | 3.5 | -380 | 1,900 |
| *Other items* | | | |
| Tax paid | 2.8 | 1 | -4 |
| **Net cash flows from operating activities** | | **-15,879** | **-4,412** |
| **Cash flows from investing activities** | | | |
| Development expenditures | 5.1 | -574 | -269 |
| Purchase of property, plant and equipment | 5.3 | -495 | -404 |
| Purchase of shares in subsidiaries, net of cash acquired | 4.2 | 0 | -1,255 |
| Interest received | 2.7 | 102 | 14 |
| **Net cash flow from investing activities** | | **-968** | **-1,914** |
| **Cash flow from financing activities** | | | |
| Proceeds from issuance of equity | 6.7 | 198 | 69,162 |
| Proceeds from sales of own shares | 6.7 | 0 | 184 |
| Transaction costs on issue of shares | 6.7 | 0 | -3,641 |
| Repayment of borrowings | 6.10 | -1,901 | -177 |
| Payments for the principal portion of the lease liability | 5.4 | -636 | -302 |
| Payments for the interest portion of the lease liability | 5.4 | -217 | -149 |
| Interest paid | 2.7 | -4 | -106 |
| **Net cash flows from financing activities** | | **-2,560** | **64,971** |
| **Net increase/(decrease) in cash and cash equivalents** | | **-19,407** | **58,644** |
| Cash and cash equivalents at 1 January | | 62,943 | 5,589 |
| Net foreign exchange difference | | -1,362 | -1,290 |
| **Cash and cash equivalents at 31 December** | | **42,174** | **62,943** |

# Consolidated statement of changes in equity

| Amounts in USD 1,000 | Share capital | Share premium | Treasury shares | Other capital reserves | Other Equity<br>Cumulative translation differences | Other Equity<br>Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity 1 january 2020** | **65** | **10,440** | **-0.3** | **636** | | **-841** | **10,300** |
| Profit (loss) for the year | | | | | | -4,131 | -4,131 |
| Other comprehensive profit (loss) | | | | | 4,314 | | 4,314 |
| **Total comprehensive profit (loss)** | | | | | **4,314** | **-4,131** | **183** |
| Sale of treasury shares | | | 0.3 | | | 184 | 185 |
| Capital increase (note 6.7) | 123 | 68,032 | | | | 1 007 | 69,162 |
| Transaction costs | | | | | | -3,641 | -3,641 |
| Share-based payments (note 6.8) | | | | 460 | | | 460 |
| **Equity 31 December 2020** | **188** | **78,472** | **0** | **1,096** | **4,314** | **-7,422** | **76,648** |
| Profit (loss) for the year | | | | | | -7,261 | -7,261 |
| Other comprehensive profit (loss) | | | | | -2,352 | | -2,352 |
| **Total comprehensive profit (loss)** | | | | | **-2,352** | **-7,261** | **-9,612** |
| Capital increase (note 6.7) | 1 | 197 | | | | | 198 |
| Share-based payments (note 6.8) | | | | 608 | | | 608 |
| **Equity 31 December 2021** | **190** | **78,669** | **0** | **1,704** | **1,962** | **-14,683** | **67,842** |

# Section 1 – General information and accounting policies

## 1.1 Corporate information

Airthings ASA ("the Company") is a publicly listed company on Euronext Growth, with the ticker symbol AIRX. Airthings ASA was admitted to trading on Euronext Growth on 30 October 2020. Airthings ASA is incorporated and domiciled in Norway. The Company's principal offices are located at Wergelandsveien 7, 0167 Oslo, Norway.

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

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 30 March 2022.

## 1.2 Basis of preparation

The 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 related notes.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU"), and represents the first financial statements of the Group in accordance with IFRS. See note 8.1 for information related to first time adoption of IFRS.

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, an additional statement of financial position as at 1 January 2020 is presented in these financial statements due to the first time adoption of IFRS.

Further, the consolidated financial statements are prepared based on the going concern assumption. The Group has so far seen limited business impact related to the Covid-19 pandemic as the consumer demand for its products has in some cases increased due to elevated air quality awareness. In other instances, Covid-19 has led to a pressed semiconductor market which has resulted in increased component prices and delivery delays as production capacity has been held back by component shortage. Also, the pandemic has led to slowed retail store roll-out and limited access to buildings for the business segment. The Board continues to monitor the situation carefully to ensure appropriate measures are taken as the situation continues to unfold during 2022.

*Presentation currency and functional currency*

The consolidated financial statements are presented in United States dollar ("USD"). For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Airthings ASA has Norwegian krone ("NOK") as its functional currency and it's 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.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying yearly average exchange rates. The resulting translation differences are recognized in other comprehensive income.

*Climate risk*

The impact of climate risks has been taken into account in the preparation of the Group's consolidated financial statements for the year ended 31 December, 2021. 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 December, climate risk is not expected to have any significant impact on the Group's assets or liabilities.

## 1.3 General accounting policies

Airthings has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgmental considerations are disclosed in the notes to which the policies relate. A summary of the Group's general accounting policies not disclosed in the notes, are presented below:

### Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method.

### Changes in accounting policies

*Standards issued but not yet effective*

New or amended standards and interpretations which are effective for annual periods beginning on or after 1 January, 2022 and which the Group believes are relevant and may impact the Group's financial statements and/or disclosures are discussed below. The Group has not early adopted any standards or amendments that have been issued, but are not yet effective.

### Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB issued Covid-19-Related Rent Concessions - Amendment to IFRS 16 Leases. The Board amended the standard to provide an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the pandemic. The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to June 30, 2022.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions described in IFRS 16 paragraph 46B are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment applies to annual reporting periods beginning on or after April 1, 2021. The Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application. The amendments are not expected to have a significant impact on the Group's financial statements.

***Amendments to IAS 8 - Definition of Accounting Estimates***

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, but are not expected to have a material impact on the consolidated financial statements of the Group.

## 1.4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

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.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgments that may have the most significant effect on the amounts recognized in the financial statements, are summarized below:

**Estimates and assumptions:**

- Measurement of deferred tax assets (note 2.8)
- Value in use calculations in relation to impairment testing of goodwill (note 5.2)
- Estimating fair value for share-based payments transactions (note 6.8)

A detailed description of the significant estimates and assumptions are included in the individual note referenced above.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**Accounting judgements:**

- Determination of CGUs (note 5.2)

A detailed description of the significant accounting judgements are included in the individual notes referenced above.

# Section 2 - Operating segments and profit or loss items

## 2.1 Operating segments

### ACCOUNTING POLICIES

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses,

b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

c) for which discrete financial information is available.

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 as reported under NGAAP (the Group's previous reporting language). 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 as underlying assets are managed on a Group basis.

### Group functions and adjustments/ eliminations

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.

The "Adjustments/eliminations" column in the tables below consists of IFRS adjustments that are not included as part of the segment reporting to the Board. The adjustment of USD 2,502 thousands (2020: USD 1,925 thousands) is related to consideration payable to a customer which was previously recognized as OPEX under NGAAP. Under IFRS, this is accounted for as a reduction of revenue. The adjustment of USD 3,793 thousands (2020: USD 2,377 thousands) reflect the reversal of lease expenses for the Group's operating leases under NGAAP (2021: USD 853 thousands, 2020: USD 451 thousands), in addition to the reclass from OPEX to a reduction of revenue (2021: USD 2,940 thousands, 2020: USD 1,926 thousands). The IFRS adjustments are mainly related to the Consumer segment.

| For the year ended 31 December 2021 (USD 1,000) | Consumer | Business | Professional | Group functions | Adjustments/ eliminations | Consolidated IFRS |
|---|---|---|---|---|---|---|
| **REVENUES & PROFIT** | | | | | | |
| External customers | 26,064 | 6,942 | 3,167 | | -2,502 | 33,671 |
| Other operating income | | | | 28 | | 28 |
| **Total revenue** | **26,064** | **6,942** | **3,167** | **28** | **-2,502** | **33,699** |
| Cost of goods sold | 9,574 | 2,708 | 743 | 16 | | 13,041 |
| Employee benefit expenses | 1,603 | 3,230 | 134 | 10,160 | | 15,127 |
| Other operating expenses | 2,177 | 796 | 225 | 14,162 | -3,793 | 13,566 |
| **EBITDA** | **12,710** | **208** | **2,065** | **-24,310** | **1,291** | **-8,035** |

| For the year ended 31 December 2020 (USD 1,000) | Consumer | Business | Professional | Group functions | Adjustments/ eliminations | Consolidated IFRS |
|---|---|---|---|---|---|---|
| **REVENUES & PROFIT** | | | | | | |
| External customers | 19,188 | 1,430 | 2,200 | | -1,925 | 20,893 |
| Other operating income | | | | 123 | | 123 |
| **Total revenue** | **19,188** | **1,430** | **2,200** | **123** | **-1,925** | **21,016** |
| Cost of goods sold | 6,363 | 648 | 565 | | | 7,576 |
| Employee benefit expenses | 1,298 | 1,675 | 54 | 6,068 | | 9,094 |
| Other operating expenses | 1,212 | 213 | 115 | 9,970 | -2,377 | 9,132 |
| **EBITDA** | **10,314** | **-1,106** | **1,466** | **-15,914** | **453** | **-4,786** |

## Major customers

In 2021 the largest customer of the Group accounted for 31% (2020: 47%) of consolidated revenues, mainly allocated to the consumer segment. The second largest customer accounted for 17% of consolidated revenues in 2021 (2020: less than 10%), also mainly allocated to the consumer segment. The Group does not have any other customers that represents more than 10% of the Group's revenue.

## 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 2.2 Revenue for information on the Group's geographical markets.

| Non-current operating assets (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Located in Norway | 7,126 | 6,334 |
| Located in foreign countries | 419 | 170 |
| **Total** | **7,545** | **6,504** |

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, and intangible assets.

## 2.2 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 2.1: 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.

### ACCOUNTING POLICIES

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all its revenue arrangements, and hence recognizes revenue gross.

### Sale of goods

Revenue from the sale of air quality sensors are recognized at the point in time when a performance obligation arising from a contractual obligation with a customer has been met. The Group's performance obligation is satisfied at a point in time, upon delivery or when the goods are packed and shipped, depending on the delivery terms. The payment terms are generally 30 days after the performance obligation is satisfied.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., services or SaaS). Where a contract included several performance obligations, revenue is splitted among the different performance obligations based on relative stand alone selling prices.

In determining the transaction price for the sale of a product, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and any consideration payable to the customer. Revenue is recognized net of any discounts.

*(i) Variable consideration*

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of air quality sensors and radon detectors provide customers with a right to return the goods within a specified period. The Group also provides retrospective volume rebates to certain customers once the quantity products purchased during the period exceeds the threshold specified in the contract. The rights of return and volume rebates give rise to variable consideration.

*Right of return*

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue.

*Consideration payable to a customer*

Consideration payable to a customer is accounted for as a reduction of the transaction price, unless the payment to the costumer is in exchange for a distinct good or service and the fair value of the distinct good or value can be reasonably estimated. Consideration payable to a customer is estimated when the sale occurs and recognized as a provision (refer to note 3.5). The transaction price is reduced accordingly.

**Sale of software as a service (SaaS)**

The Group also has revenue from license fees, which are SaaS contracts consisting of a software licensing model where software is licensed on a subscription basis and centralized on Airthings platform. Revenue from SaaS arrangements, where the customer cannot take possession of the software license and where the software license cannot be separated from its related hosting services are considered as "right to access" licenses and revenue is recognized over time (i.e. the subscription period).

**Sale of services**

Revenue from the rendering of services mainly relates to calibration services delivered in connection with a solution to the business or professional market. These calibration services are sold separately or bundled but do not significantly customize or modify the other products in the contract. Contracts for bundled sales of equipment and calibration services are comprised of two performance obligations because the equipment and installation services are both sold on a stand-alone basis and are distinct within the context of the contract. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services. Revenue from these services is recognized over time using an input method to measure progress towards completion of the services, because the customer simultaneously receives and consumes the benefits provided by the Group.

**Rental income**

Rental income is derived from the rental of equipment such as Corentium Pro in the professional segment. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenues in the consolidated statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

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

| Revenues (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Revenue from contracts with customers | 33,172 | 20,572 |
| Rental income | 499 | 322 |
| **Total revenues** | **33,671** | **20,893** |

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

| Geographical information (USD 1,000) | 2021 | 2020 |
|---|---|---|
| EMEA | 9,537 | 5,166 |
| North America (USA and Canada) | 23,635 | 15,406 |
| **Total revenue from contracts with customers** | **33,172** | **20,572** |

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

| Timing of revenue recognition (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Goods transferred at a point in time | 31,791 | 20,222 |
| Subscription and services transferred over time | 1,382 | 349 |
| **Total revenue from contracts with customers** | **33,172** | **20,572** |

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

| (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Within one year | 110 | 65 |
| More than one year | 175 | 71 |
| **Total** | **285** | **136** |

The table above does not include remaining performance obligations that are part of contracts with an original duration of one year or less. The remaining performance obligations expected to be recognized in more than one year relate to the delivery of software services (Saas).

### Performance obligations

*Product sale:*

The Group's performance obligation is satisfied at a point in time, upon delivery of the hardware products. Payment is generally due within 30 days after delivery. Revenue recognized at the point of delivery is only recognized for an amount of the consideration that reflects the consideration the Group expects to ultimately be entitled to. The variable consideration is re-assessed at the end of each reporting period and recognized as (or when) the uncertainty is subsequently resolved.

*SaaS license fee:*

The Group's performance obligation is satisfied over time (as "right to access" licenses). The customer receives the right to access Airthings intellectual property throughout the license period for which revenue is recognized over the license period. The software is run on Airthings' platform and the customer may only access the software through a network (cloud). The customer cannot take possession of the software/code and is not able to run the software on its own server.

*Other services:*

Other services mainly consist of calibration services provided by the Group in connection with sales in the professional segment. Revenue is recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes revenue normally on the basis of hours incurred.

### Contract balances:

As the Group's revenues are generally recognized and invoiced upon delivery (goods) or in advance (SaaS subscriptions), the Group does not have a significant amount of contract assets.

Contract liabilities relate to remuneration received in advance for SaaS subscriptions. Subscriptions are normally prepaid by the customer for 12 months. As such, the balance of account at the end of the year mainly represents the Group's deferred revenue related to performance obligations that will be satisfied within 12 months. The Group's contract liabilities are disclosed in note 3.3.

## 2.3 Other operating income

### ACCOUNTING POLICIES

### Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants related to an expense item is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, is expensed. Alternatively, such grants are deducted in reporting the related expense. Grants related to assets is recognized by deducting the grant in calculating the carrying amount of the asset. The Group applies a consistent presentation approach to all similar grants.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments.

### Other income

Other operating income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

| Other operating income (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Government grants | 28 | 123 |
| **Total other operating income** | **28** | **123** |

Only grants recognized as income are presented in the table above.

### Government grants in the consolidated statement of comprehensive income

| Grants (USD 1,000) | Line item | 2021 | 2020 |
|---|---|---|---|
| Grant from Innovation Norway | Other operating income | 28 | 123 |
| Grant from SkatteFUNN - A | Employee benefit expenses | 276 | 419 |
| Grant from SkatteFUNN - B | Other operating expenses | 276 | 86 |
| **Total government grants recognized** | | **580** | **629** |

*Grant from innovation Norway*

In 2020, Airthings ASA received funds from Innovation Norway related to a R&D project. The Group recognized USD 28 thousands as other operating income in 2021 (2020: USD 123 thousands).

*Grant from SkatteFUNN*

In 2020, Airthings ASA received funds from SkatteFUNN (a Norwegian government R&D tax incentive program designed to stimulate R&D in Norwegian trade and industry). In 2021 the Group recognized USD 552 thousands as a cost reduction of R&D expenses, respectively as reduced employee benefit expenses and other operating expenses (2020: USD 505 thousands).

As of 31 December 2021 the Group has recognized a receivable of USD 539 thousands related to the grant from SkatteFUNN (31 December 2020: USD 557 thousands, 1 January 2020: USD 569 thousands) as presented in the table below.

*Grant from EU Horizon*

Airthings, through the merger with Airtight AS, was in 2018 granted EUR 1.72 million through EUs' Horizon 2020 program. The grant was 70% investment funding of a total project cost of EUR 2.45 million for the period 1 August 2018 to 31 July 2020. The grant was later extended with one year until 31 July 2021. The grant is reported as a reduction in intangible assets.

### Government grants in the consolidated statement of financial position

| Government grants receivable (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Grant from Innovation Norway | | 136 | 399 |
| Grant from Horizon | | 346 | |
| Grant from SkatteFUNN | 539 | 557 | 569 |
| **Total government grants receivable** | **539** | **1,038** | **968** |

Government grant receivables are included as other receivables in the consolidated statement of financial position and included in the specification in note 3.2.

As of 31 December 2021, the Group did not have any government grant liabilities (31 December 2020: USD 69 thousands related to EU Horizon grant, 31 December 2019: USD 0).

## 2.4 Employee benefit expenses

### ACCOUNTING POLICIES

Employee benefit expenses comprise all types of remuneration to personnel employed by the Group and are expensed when earned. Ordinary salaries can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pensions contributions are earned on a monthly basis. Shared based payment expenses is related to the Group's share option program (see note 6.8). Other employee expenses consist of other benefits such as insurance, telephones and remuneration to the Board of Directors.

**Pensions**

The Group has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

| Employee benefit expenses (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Salaries | 12,022 | 7,160 |
| Social security costs | 1,680 | 1,038 |
| Pension costs | 438 | 264 |
| Share-based payment expenses | 608 | 460 |
| Other employee expenses | 380 | 171 |
| **Total employee benefit expenses** | **15,127** | **9,094** |
| Average number of full time employees (FTEs) | 105 | 73 |

At the end of the reporting period, members of the Board and management held shares and share options in Airthings ASA. For information on remuneration to Management and the Board of Directors, including disclosures on shares and share options held, see note 7.1.

## 2.5 Other operating expenses

### ACCOUNTING POLICIES

Other operating expenses are recognized when they occur and represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, employee benefit expenses, depreciation and amortization, impairment and income tax expense.

| Other operating expenses (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Marketing | 4,744 | 3,345 |
| External services | 4,538 | 2,897 |
| Freight | 1,373 | 738 |
| Offices | 1,207 | 663 |
| Private placement and listing fees | | 885 |
| Software | 615 | 360 |
| Other operating expenses | 1,089 | 244 |
| **Total other operating expenses** | **13,566** | **9,132** |

### 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) | 2021 | 2020 |
|---|---|---|
| Sales and marketing | 19,366 | 11,685 |
| Research and development | 8,110 | 5,390 |
| General and administrative | 1,217 | 1,152 |
| **Total operating expenses** | **28,693** | **18,226** |

Total research expenses for 2021 were USD 8 million (net of cost reduction from SkatteFUNN, refer to note 2.3), recognized as employee benefit expenses and other operating expenses in the consolidated statement of profit or loss. For 2020 total research expenses were USD 5 million (net of cost reduction from SkatteFUNN, refer to note 2.3).

| Remuneration to the auditor (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Statutory audit fee | 103 | 31 |
| Tax advisory and other services | 45 | 25 |
| **Total remuneration to the auditor** | **148** | **56** |

The amounts above are excluding VAT.

## 2.6 Depreciation and amortization

### ACCOUNTING POLICIES

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 and amortization expenses (USD 1,000) | Note | 2021 | 2020 |
|---|---|---|---|
| Depreciation of property, plant and equipment | 5.3 | 256 | 158 |
| Depreciation of right-of-use assets | 5.4 | 737 | 428 |
| Amortization of intangible assets | 5.1 | 342 | 149 |
| **Total depreciation and amortization expenses** | | **1,335** | **736** |

## 2.7 Finance income and costs

### ACCOUNTING POLICIES

Interest income and interest expenses are calculated using the effective interest method.

Foreign currency gains or losses are reported as foreign exchange gain or foreign exchange loss in finance income or finance costs, except for currency translation effects from translation of foreign subsidiaries and the parent company which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 6.1

Interest costs on lease liabilities represent the interest rate used to measure the lease liabilities recognized in the consolidated statement of financial position (see note 5.4 for further information).

| Finance income (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Interest income | 102 | 19 |
| Other finance income | | 1 |
| Foreign exchange gain | 221 | |
| **Total finance income** | **323** | **20** |

| Finance costs (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Interest expenses | 15 | 107 |
| Interest expense on lease liabilities | 217 | 149 |
| Foreign exchange loss | | 417 |
| Other finance costs | 37 | |
| **Total finance costs** | **268** | **673** |

| Foreign exchange (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Foreign exchange gain | 6,350 | 4,088 |
| Foreign exchange loss | 6,129 | 4,504 |
| **Net foreign exchange gain (loss)** | **221** | **-417** |

#### Interest income and expenses

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on lease liabilities, measured and classified at amortized cost in the consolidated statement of financial position.

## 2.8 Income tax

### ACCOUNTING POLICIES

*Current income tax*

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

*Deferred tax*

Deferred tax liabilities/ deferred tax assets are recognized in line with IAS 12. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. As most of the deferred tax assets and liabilities relates to Airthings ASA (parent company), these are to a large extent offset in the consolidated financial statements.

### SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has USD 20 266 thousand as at 31 December 2021 (USD 11 749 thousand as at 31 December 2020 and USD 2 032 thousand as at 1 January 2020) of tax losses carried forward in the parent company, which 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 near future.

When assessing the probability of utilizing these losses, the Group considers factors such as:

Positive evidence

- Unused tax losses relate to the parent company Airthings ASA, where most of the Groups operations are located, and there are no maturity related to usage of such losses according to the Norwegian applicable tax regulation.
- The recent losses which form the basis of the deferred tax asset have been according to budget and is a result of the Group's significant growth strategy. The losses are mainly

caused by significant R&D, marketing, and sales investments. Going forward, investment activity in % of revenues is expected to decrease. Further, before the Group initiated its significant growth strategy, it has a history of being profitable. Within the near future, the Group expects that taxable profit will allow the deferred tax asset to be recovered.

Negative evidence

- Airthings ASA has not sufficient other tax increasing temporary differences which the unused tax losses can be utilized against
- The Group has limited tax planning opportunities available at the moment (e.g. group contribution) as Airthings ASA is the only Norwegian entity in the Group.

Overall, the Group has as of 31 December 2021 determined that the positive evidence outweighs existing negative evidence to support recognition of deferred tax assets and thus the 50% probability threshold ("more likely than not") is considered as passed. However, there are uncertainties connected with the Group's forecasts of taxable profit. If the Group had concluded that the 50 % probability threshold was not met, and decided not to recognized deferred tax assets (limited to partly recognition or no recognition at all), this would have caused a decrease in deferred tax assets, decrease in negative tax expense and in the end a decrease in equity. No recognition at all of deferred tax assets related to taxable losses would in isolation result in an equity reduction of USD 4 459 thousand as at 31 December 2021.

| Current income tax expense (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Tax payable | 10 | -43 |
| Change deferred tax/deferred tax assets (ex. OCI effects) | -2,065 | -2,001 |
| **Total income tax expense** | **-2,055** | **-2,044** |

| Deferred tax assets (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Property, plant and equipment | 3,682 | 26 | 22 |
| Right-of-use assets (net amount) | -98 | -138 | |
| Customer contracts | -604 | -1,066 | -1,038 |
| Other current assets | -100 | -26 | |
| Merger | -2,354 | | -3 |
| Losses carried forward (including tax credit) | -20,266 | -11,749 | -2,032 |
| Other | -1 592 | -1,238 | -323 |
| **Basis for deferred tax assets** | **-21,331** | **-14,192** | **-3,374** |
| Calculated deferred tax assets | 4,685 | 3,115 | 742 |
| - Deferred tax assets not recognized | -175 | -162 | -4 |
| **Net deferred tax assets in the statement of financial position** | **4,509** | **2,953** | **738** |

| Deferred tax liabilities (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Intangible assets | | -1,557 | |
| **Basis for deferred tax liabilities** | | **-1,557** | |
| Calculated deferred tax liabilities | | -343 | |
| - Deferred tax not recognized | | | |
| **Deferred tax liabilities in the statement of financial position** | | **-343** | |

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.

The average tax rate for the Group's deferred tax assets are 22% for 31.12.2021, 22% for 31.12.2020 and 22% for 01.01.2020. The average tax rate for the Group's deferred tax liabilities was 22% for 31.12.2020.

A reconciliation of the differences between the theoretical tax expense under the rate applicable in Norway and the actual tax expense is as follows:

| Reconciliation of income tax expense (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Profit or loss before tax | -9,315 | -6,175 |
| Tax expense 22% (Norwegian tax rate) | -2,049 | -1,358 |
| Change to prior period tax expense | | |
| Permanent differences* | 9 | -527 |
| Effects of foreign tax rates | -1 | |
| Effect of not recognizing deferred tax assets | -13 | -158 |
| **Recognized income tax expense** | **-2,055** | **-2,044** |

* The permanent differences are related to SkatteFUNN and other non-deductible costs among the Group's entities.

# Section 3 - Other operating activities

## 3.1 Inventories

### ACCOUNTING POLICIES

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Components: purchase cost on a first-in/first-out basis (FIFO)
- Finished goods: cost of direct materials, direct wages, packaging and a proportion of manufacturing overheads based on the normal operating capacity

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

| Inventories (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Finished goods | 8,006 | 4,694 | 3,306 |
| Components | 3,423 | | |
| **Total inventories at the lower of cost and net realizable value** | **11,429** | **4,694** | **3,306** |

The increase in inventories in 2021 is a result of increased components prices coupled with a strategy of securing supply in a pressed semiconductor market.

There were no write-downs of finished goods or components in 2021 (2020: USD 26 thousands). There were no reversal of write-down of components or finished goods in the periods presented.

## 3.2 Trade and other receivables

### ACCOUNTING POLICIES

#### Trade and other receivables

The Group's trade receivables consist solely of amounts receivable from revenue contracts with customers. Trade receivables are generally on terms of 30 days. Other receivables consist mainly of prepaid expenses and government grant receivables related to SkatteFUNN.

Trade and other receivables are financial assets initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Trade and other receivables are subject to impairment by recognizing an allowance for expected credit losses.

#### Expected credit losses

The Group recognizes an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group bases the allowance of its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Conditions and policies for considering financial assets as in default and when they are written off are further described in note 6.1.

| Trade receivables (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Trade receivables from customers at nominal value | 11,950 | 7,000 | 4,640 |
| Allowance for expected credit losses | 100 | | |
| **Total trade receivables** | **11,850** | **7,000** | **4,640** |

| Other receivables (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Prepaid expenses | 814 | 433 | 434 |
| Government grants | 539 | 1 038 | 968 |
| VAT receivable | 305 | 309 | 80 |
| Related parties | 41 | 3 | 21 |
| Other | 191 | 257 | 115 |
| **Total other receivables** | **1,889** | **2,041** | **1,618** |

The credit risk of financial assets has not increased significantly from initial recognition. The increase in loss allowance is mainly related to the increase in the gross amount of trade receivables.

As at 31 December the ageing analysis of trade receivables is, as follows:

| | Trade receivables | | | | |
|---|---|---|---|---|---|
| **Ageing analysis of trade receivables (USD 1,000)** | **Not due** | **< 30 days** | **31-60 days** | **>60 days** | **Total** |
| **Trade receivables at 31.12.2021** | 5,937 | 2,666 | 1,177 | 2,070 | **11,850** |
| **Trade receivables at 31.12.2020** | 5,475 | 390 | 472 | 664 | **7,000** |
| **Trade receivables at 01.01.2020** | 3,887 | 336 | 248 | 169 | **4,640** |

For details regarding the Group's procedures on managing credit risk, see note 6.4.

## 3.3 Contract liabilities

### ACCOUNTING POLICIES

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract liabilities relate to remuneration received in advance for revenue from contracts with customers as well as the allocated transaction price for the remaining performance obligation. Revenue is recognized when the Group fulfills the performance obligation in the contract. Contract liabilities are shown in the table on the next page:

| Contract liabilities (USD 1,000) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| **Amount included at the beginning of the period** | **422** | **73** |
| Addition of new contract liabilities | 1,487 | 639 |
| Performance obligations recognized in the period | -1,014 | -290 |
| **Total contract liabilities** | **894** | **422** |
| **Current contract liabilities** | **719** | **351** |
| **Non-current contract liabilities** | **175** | **71** |

The significant increase in the period's contract liabilities is mainly attributed to the allocated transaction price for the remaining performance obligation related to SaaS contracts, prepaid 12 months in advance.

## 3.4 Trade and other payables

### ACCOUNTING POLICIES

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables consist of invoices for goods and services where the Group has received the significant risks and rewards of ownership as at the end of the reporting period. Other payables mainly consist of with-holding payroll tax and social security tax.

Trade and other payables are measured at fair value upon initial recognition and subsequently at amortized cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

| Trade and other payables (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Trade payables | 4,775 | 2,788 | 1,384 |
| Government grant liabilities (note 2.3) | | 69 | |
| VAT payable | | 34 | 34 |
| Withholding payroll taxes and social security | 976 | 961 | 418 |
| Other payables | 1,275 | 287 | 465 |
| **Total trade and other payables** | **7,027** | **4,139** | **2,301** |

## 3.5 Provisions

### ACCOUNTING POLICIES

Provisions are liabilities with uncertain timing or amount and are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obliga-tion and a reliable estimate can be made of the amount of the obligation. The amount recog-nized as a provision is the best estimate of the expenditure required to settle the present obli-gation at the end of the reporting period, that is, the amount that an entity would rationally pay to settle the obligation at the end of the financial year or to transfer it to a third party.

The group classifies provisions in the following categories:

- Salary related costs: Contains a provision for accrued holiday pay, accrued bonuses, restructuring (when the Group has approved a formal and detailed restructuring plan, and the restructuring either has commenced or been announced publicly) and other salary related accruals.

- Social security for share based payments: contains a provision for the accrued social security on share options and restrictive share units which will be paid when the options are exercised. Provisions are calculated based on an intrinsic value method. As part of the share-based payment program, employees are required to compensate the Group for social security taxes payable upon exercise. Hence, a corresponding receivable has been recognized as other non-current assets in the balance sheet.
- Other provisions: contains provision for accrued consideration to a customer.

A provision is made and calculated based on management assumptions at the time the provision is made and is updated as and when new information becomes available. All provisions are reviewed at the end of the financial year.

| Reconciliation of provisions (USD 1,000) | Salary related costs | Social security for share-based payments | Other provisions | Total |
|---|---|---|---|---|
| **At 1 January 2020** | **858** | | **1,038** | **858** |
| Additional provisions made | 1,289 | 1,421 | 1,953 | **2,710** |
| Amounts used | -858 | -112 | -1,925 | **-971** |
| Unused amounts reversed | | | | |
| Currency translation effects | | 133 | | **133** |
| **At 31 December 2020** | **1,289** | **1,442** | **1,066** | **2,731** |
| | | | | |
| **Current provisions** | | | | **2,355** |
| **Non-current provisions** | | | | **1,442** |
| | | | | |
| **At 1 January 2021** | **1,289** | **1,442** | **1,066** | **2,731** |
| Additional provisions made | 1,723 | -61 | 2,041 | **1,662** |
| Amounts used | -1,289 | -228 | -2,502 | **-1,517** |
| Unused amounts reversed | | -24 | | **-24** |
| Currency translation effects | | -39 | | **-39** |
| **At 31 December 2021** | **1,723** | **1,090** | **604** | **2,813** |
| | | | | |
| **Current provisions** | | | | **2,328** |
| **Non-current provisions** | | | | **1,090** |

# Section 4 - Group structure

## 4.1 Overview of Group companies

### ACCOUNTING POLICIES

### Basis of consolidation

The consolidated financial statements comprise the financial statements of Airthings ASA and its subsidiaries as at 31 December 2021. The subsidiaries are consolidated when control is achieved as defined by IFRS 10. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. However, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group do not have ownership in joint arrangements as defined by IFRS 11, other associates, interests in unconsolidated structured entities or interests in unconsolidated subsidiaries that require disclosure under IFRS 12.

### The consolidated entities

The subsidiaries of Airthings ASA are presented below:

| Consolidated entities | Office | Funct. CUR | Shareholding | Group's voting ownership share |
|---|---|---|---|---|
| Airthings America INC | USA | USD | 100% | 100% |
| Airthings AB | Sweden | SEK | 100% | 100% |

Airtight AS was a subsidiary of Airthings ASA as of 31 December 2020, but have in 2021 been merged with the parent company. All subsidiaries are included in the consolidated statement of financial position.

## 4.2 Business combinations

There have been no business combinations during 2021. In 2020, the Group acquired Airtight AS.

### ACCOUNTING POLICIES

A business combination is as a transaction or other event in which an acquirer obtains control of one or more businesses. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for according to IFRS 3 using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at acquisition date according to IFRS 13, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquirees' identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss.

Goodwill arises in a business combination when the fair value of consideration transferred exceeds the fair value of identifiable assets acquired less the fair value of identifiable liabilities assumed. Goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units, and tested subsequently for impairment.

### SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In a business combination, the assets acquired and liabilities assumed are valued at fair value at the time of acquisition. The various assets and liabilities are valued on the basis of different models, requiring estimates and assumptions to be made. Goodwill is the residual value in this allocation. Errors in estimates and assumptions can lead to an error in the split of the value between the various assets and liabilities incl. goodwill, but the sum of the total excess values will always be consistent with the purchase price paid.

The economic useful life of intangible assets acquired in a business combination are assessed as either finite or indefinite. Intangible assets with indefinite useful lives are subsequently tested for impairment by assessing the recoverable amount of the CGU to which the intangible assets relates, further described in note 5.2. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment or changes to the amortization period as described in note 5.1. The assumptions applied to determining the economic useful lives in a business combination may involve considerable estimates such as future innovations and developments to software and technology.

#### Determination of fair values

Fair values have been determined for initial recognition based on the following methods:

*Property, plant and equipment acquired in a business combination*

The fair value of items of equipment, fixtures and fittings is based on a market or cost approach using quoted market prices for similar items when available and replacement cost when appropriate.

*Intangible assets acquired in a business combination*

The fair value of technology acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued as a residual after deducting a fair return on all other assets that are part of creating the related cash flows.

*Other current assets and liabilities acquired in a business combination*

The fair value of other current assets and liabilities acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

### Acquisitions in 2020

On 21 August 2020, the Group acquired 100% of the voting shares of Airtight AS ("Airtight"). Airtight is a software company that has developed patented technology to reduce energy waste from commercial buildings. The Airtight solution is enabling a significant reduction of energy waste from buildings. The smart sensor technology monitors and balances energy waste from buildings, using existing ventilation systems.

The transaction is accounted for as a business combination in accordance with IFRS 3. The acquisition date for accounting purposes corresponds to the date when the Group obtained control of the legal entity, on 21 August 2020.

The acquisition-date fair value of the total consideration transferred was USD 5.0 million, whereas USD 1.4 of cash and USD 3.6 million of shares in Airthings ASA. Transaction costs related to legal services of USD 5 thousands were expensed and are included in other operating expenses for 2020.

From the date of acquisition until end of 2020, Airtight AS contributed with a total of USD 25 thousands of revenue and negative USD 25 thousands to the net profit before tax. Further, total revenue of the combined entity would have been USD 20.9 million in 2020 if the business combination had occurred on 1 January 2020.

The following intangible assets outside of goodwill were identified in the Airtight acquisition, including management's expectation of economic useful life:

- Technology - 10 years

Only assets and liabilities where fair value exceeded the carrying amount under other IFRS standards are included in the summary above.

The fair value of the identifiable assets and liabilities of Airtight AS as at the date of acquisition were:

| Fair value recognized on acquisition (USD 1,000) | 21.08.2020 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Intangible assets - Technology | 1,678 |
| Property, plant and equipment | 32 |
| **Total non-current assets** | **1,709** |
| **Current assets** | |
| Cash and cash equivalents | 163 |
| Other current assets* | 533 |
| **Total current assets** | **696** |
| **Total assets** | **2,405** |

| Fair value recognized on acquisition (USD 1,000) | 21.08.2020 |
|---|---|
| **Non-current liabilities** | |
| Deferred tax liability | -336 |
| **Total non-current liabilities** | **-336** |
| **Current liabilities** | |
| Other current liabilities | -214 |
| **Total current liabilities** | **-214** |
| **Total liabilities** | **-550** |

| | |
|---|---|
| **Total identifiable net assets at fair value** | **-1,855** |
| Purchase consideration transferred | 5,001 |
| **Goodwill arising on acquisition** | **3,145** |

| Purchase consideration transferred | |
|---|---|
| Cash | 1,418 |
| Shares in Airthings ASA | 3,583 |
| **Total purchase consideration transferred** | **5,001** |

* Other current assets include trade receivables with a fair value of USD 61 thousands (equals the gross contractual amounts receivable). At the date of the acquisition, the Group expected the total amount of the contractual cash flows to be collected.

Provision for deferred tax is made for the difference between acquisition cost and acquired tax base in accordance with IAS 12. Offsetting entry of this non-cash deferred tax is technical goodwill. The remaining goodwill includes the value of expected synergies arising from the acquisition and assembled workforce, which is not separately recognized.

None of the goodwill recognized is expected to be deductible for income tax purposes.

As the Airtight system is integrated with the components of the Group's business segment and management monitors the business on this level, the goodwill arising from the transaction is allocated to the Group's business segment CGU. For impairment considerations of goodwill, reference is made to note 5.2.

| Analysis of cash flows on acquisition (USD 1,000) | 21.08.2020 |
|---|---|
| Net cash acquired with the subsidiary | 163 |
| Cash paid | 1,418 |
| **Net cash flow from acquisition** | **-1,255** |

### Acquisitions in 2021

The Group did not have any acquisitions in 2021.

### Acquisitions after the balance sheet date

The Group did not have any acquisitions after the balance sheet date.

# Section 5 - Fixed assets

## 5.1 Intangible assets

### 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.

### ACCOUNTING POLICIES

### Intangible assets acquired

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

### Capitalization of internal development costs

Development expenditures on an individual project, which represents new applications, are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Other costs are classified as research and are expensed as incurred. These expenses are disclosed in note 2.5.

*Useful lives and subsequent measurement*

The useful lives of intangible assets are assessed as either finite or indefinite and may in some cases involve considerable assessments. Intangible assets with indefinite useful lives are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The initial assessment and review of economic useful lives requires management to make estimates and assumptions on the Group's IP and competition in the future. Changes in the expected useful life are treated as changes in accounting estimates.

| (USD 1,000) | Software & systems | Technology | Goodwill | Total |
|---|---|---|---|---|
| **Acquisition cost as at 1 January 2020** | **418** | | | **418** |
| Additions through acquisitions | | 1,678 | 3,145 | 4,823 |
| Additions | 269 | | | 269 |
| Currency translation effects | 39 | 92 | 172 | 303 |
| **Acquisition cost as at 31 December 2020** | **727** | **1,770** | **3,317** | **5,814** |
| Additions | 433 | 141 | | 574 |
| Currency translation effects | -31 | -47 | -108 | -185 |
| **Acquisition cost as at 31 December 2021** | **1,129** | **1,864** | **3,210** | **6,203** |
| | | | | |
| **Accumulated amortization as at 1 January 2020** | | | | |
| Amortization charge for the year | 108 | 41 | | 149 |
| Currency translation effects | 11 | 4 | | 15 |
| **Accumulated amortization as at 31 December 2020** | **119** | **45** | | **164** |
| Amortization charge for the year | 167 | 176 | | 342 |
| Currency translation effects | -4 | -4 | | |
| **Accumulated amortization as at 31 December 2021** | **282** | **217** | | **498** |
| | | | | |
| **Net book value:** | | | | |
| **At 1 January 2020** | **418** | | | **418** |
| **At 31 December 2020** | **607** | **1,724** | **3,317** | **5,649** |
| **At 31 December 2021** | **848** | **1,647** | **3,210** | **5,704** |
| | | | | |
| Economic life (years) | 5 | 10 | Indefinite | |
| Depreciation plan | | Straight-line | | |

The additions in 2020 are mainly related to the acquisition of Airtight, in addition to a new app for the Pro segment conducted by an external consultancy. The app was completed in late 2020 and amortization commenced. Additions in 2021 relate to implementation of a subscription tool within the Airthings for Business segment.

## 5.2 Goodwill & impairment considerations

### ACCOUNTING POLICIES

Recognized goodwill in the Group is derived from the acquisition of Airtight AS in 2020, see note 4.2 for more information.

Goodwill is an intangible asset which may not individually be recognized as an intangible asset due to the requirements in IAS 38. The value of goodwill is primarily related to synergies, assembled workforce and their competency to generate and commercialize new technology as well as high growth expectations. Goodwill also arises due to the requirement to recognize deferred tax liabilities for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests, and any previous interest held over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

According to IFRS 3, goodwill is to be allocated at the acquisition date, to each of the acquirer's CGUs, or groups of CGUs, which are expected to benefit from the business combination. This can include existing CGUs of the acquirer irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The Goodwill from the acquisition of Airtight AS in 2020 was allocated to the business segment CGU. The key assumptions used to determine the recoverable amount of the CGU are disclosed further below.

*Impairment considerations*

The Group has goodwill which are subject to annual impairment testing. The testing is performed annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group applies the value-in-use model for determining recoverable amount for the purpose of goodwill impairment testing. For more information on the model and key assumptions, see description below.

| **Goodwill (USD 1,000)** | |
|---|---|
| **Gross amount as at 1 January 2020** | |
| Additions through acquisition (see note 4.2) | 3,145 |
| Currency translation effects | 172 |
| **Gross amount as at 31 December 2020** | **3,317** |
| Currency translation effects | -108 |
| **Gross amount as at 31 December 2021** | **3,210** |
| | |
| **Accumulated impairment as at 1 January 2020** | |
| Impairment for the year | |
| **Accumulated impairment as at 31 December 2020** | |
| Impairment for the year | |
| **Accumulated impairment as at 31 December 2021** | |
| | |
| **Carrying amount as at 1 January 2020** | |
| **Carrying amount as at 31 December 2020** | **3,317** |
| **Carrying amount as at 31 December 2021** | **3,210** |

All of the Group's goodwill is allocated to the Business segment CGU.

## SIGNIFICANT ACCOUNTING JUDGEMENTS

*Business segment - CGU*

For impairment testing, goodwill acquired through the business combination of Airtight was allocated to the business segment CGU. Reference is made to note 4.2 for further information on the business combination which occurred in August 2020. The business segment CGU is the smallest identifiable group of assets that generates cash inflows to the Group (that goodwill can be allocated to), and these are largely independent of the cash inflows from other assets.

### Basis for determining the recoverable amount

The CGUs recoverable amount has been determined based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from detailed budget and forecast calculations for the next four years approved by the Board of Directors. Restructuring activities and significant future investments are excluded from the budgets. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. The recoverable amount is sensitive to revenue growth in the forecast period, the discount rate, expected future cash flows and the terminal growth rate.

## SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment testing of goodwill

The calculation of value in use for the CGU's are most sensitive to the following assumptions:

- Revenue growth
- Free cash flow margin (before tax)
- Pre-tax discount rate
- Terminal growth rate

*Revenue growth*

The expected growth in revenues are based on the expected growth in the industry and the Group's market share. The growth forecast is based on management's expectations of future conditions in the markets incl. competition. The assumption is presented as the constant average growth rate over the forecast period.

*EBITDA margin*

The EBITDA margin is determined from an analysis of historical levels before tax, adjusted for expected changes to employee benefit expenses, other expenses, capital expenditures and changes to working capital.

*Pre-tax discount rate*

The discount rate reflects the current market assessment of the risks specific to the CGU. The pre-tax discount rate is estimated based on the weighted average cost of capital (WACC).

*Terminal growth rate*

The terminal growth rate is the estimated long-term rate of growth in the economy where the business operates, aligned with long term global inflation targets.

The key assumptions used to determine the recoverable amount for the business CGU are presented below. The recoverable amount of the cash generating units are higher than their carrying amount and no impairment loss has been recognized in the current or prior period.

| CGU | Revenue growth in the forecast period* | EBITDA margin | Terminal growth rate | Pre-tax discount rate |
|---|---|---|---|---|
| Business CGU - 31 December 2021 | 20.3% | 9.80% | 2.0 % | 11.4 % |

*Revenue growth rate is based on a compound annual growth rate (CAGR)

### Sensitivity analysis

Future events could cause the key assumptions to deviate from the amounts used in the forecast period. The Group has performed a sensitivity analysis for each key assumption; revenue growth in the forecast period, EBITDA margin (before tax), terminal growth rate and the pre-tax discount rate. Management believes that no reasonably possible change in the key assumptions above would cause the carrying amount of the CGU to materially exceed its recoverable amount.

## 5.3 Property, plant and equipment

### ACCOUNTING POLICIES

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If such indication exists, the Group estimates the asset's or CGUs recoverable amount. The recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

No indicators for impairment of property, plant and equipment were identified in the current or prior period.

| (USD 1,000) | Furniture and equipment | Rental instruments | Total |
|---|---|---|---|
| **Acquisition cost as at 1 January 2020** | **372** | **52** | **425** |
| Additions through acquisitions | 47 | | 47 |
| Additions | 378 | 27 | 404 |
| Currency translation effects | 49 | 4 | 53 |
| **Acquisition cost as at 31 December 2020** | **846** | **83** | **929** |
| Additions | 443 | 53 | 495 |
| Currency translation effects | -29 | -3 | -31 |
| **Acquisition cost as at 31 December 2021** | **1,260** | **132** | **1 393** |
| **Accumulated depreciation as at 1 January 2020** | **149** | **12** | **161** |
| Depreciation for the year | 143 | 15 | 158 |
| Currency translation effects | 13 | 2 | 14 |
| **Accumulated depreciation as at 31 December 2020** | **305** | **29** | **334** |
| Depreciation for the year | 247 | 9 | 256 |
| Currency translation effects | -6 | | -6 |
| **Accumulated depreciation as at 31 December 2021** | **545** | **39** | **584** |
| **Net book value:** | | | |
| **At 1 January 2020** | **223** | **40** | **263** |
| **At 31 December 2020** | **541** | **53** | **595** |
| **At 31 December 2021** | **715** | **94** | **809** |

| | | | |
|---|---|---|---|
| Economic life (years) | 5 | 5 | |
| Depreciation plan | Straight-line | | |

## 5.4 Right-of-use assets and lease liabilities

### ACCOUNTING POLICIES

At inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

At the commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets (with an underlying value of less than USD 5 thousands)

For these leases, the Group recognizes the lease payments as operating expenses in the consolidated statement of comprehensive income.

*Measuring the lease liability*

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in and index or rate.

The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

*Measuring the right-of-use asset*

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (note 5.3). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

The Group presents its right-of-use assets as separate line items in the consolidated statement of financial position.

### Group as a lessor

The Group does also act as a lessor through the professional segment, where the Group rents out equipment on a short term basis. Such leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The Group does not have finance leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

The Group's assets under operating leases are included as property, plant and equipment and presented as rental instruments in note 5.3.

The Group's rental income under operating leases is included as revenue in the consolidated statement of profit or loss and specified in note 2.2.

### The Group's leased assets

The Group leases several assets, mainly office space in Oslo and Bergen, Norway. Additionally, the Group leases office space in Stockholm, Sweden and Fort Worth, Texas, Chicago, Florida and Massachusetts, USA. Leases of office space generally have lease terms between 3 and 10 years. The Group also leases office equipment, however, these are expensed as incurred as they are either considered short-term or of low-value.

The Group's right-of-use assets recognized in the consolidated statement of financial position are presented in the table below:

| Right-of-use assets (USD 1,000) | Office space | Other | Total |
|---|---|---|---|
| **Balance as at 1 January 2020** | **2,542** | **37** | **2,579** |
| Additions of right-of-use assets | 1 254 | 19 | 1 273 |
| Depreciation | 422 | 6 | 428 |
| Currency translation effects | 154 | | 154 |
| **Balance as at 31 December 2020** | **3,528** | **50** | **3,578** |
| Additions of right-of-use assets | 1 536 | 1 | 1 537 |
| Depreciation | 728 | 8 | 737 |
| Currency translation effects | -136 | | -136 |
| **Balance as at 31 December 2021** | **4,199** | **59** | **4,241** |

| | | |
|---|---|---|
| Economic life (years) | 2-6 | 6 |
| Depreciation plan | Straight-line | |

| Expenses in the period related to practical expedients and variable payments (USD 1,000) | 2021 | 2020 |
|---|---|---|
| Short-term lease expenses | 8 | 6 |
| Low-value assets lease expenses | 196 | 113 |
| Variable lease expenses in the period (not included in the lease liabilities) | | |
| **Total lease expenses in the period** | **205** | **120** |

The lease expenses in the period related to short-term leases are included in other operating expenses in the consolidated statement of comprehensive income, and the payments are presented in the Group's operating activities in the consolidated statement of cash flows.

### The Group's lease liabilities

| Undiscounted lease liabilities and maturity of cash outflows (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Less than one year | 999 | 649 | 394 |
| 1-2 years | 994 | 650 | 450 |
| 2-3 years | 1,001 | 643 | 455 |
| 3-4 years | 1,010 | 635 | 455 |
| More than four years | 1,312 | 1,513 | 1,532 |
| **Total undiscounted lease liabilities** | **5,316** | **4,090** | **3,285** |

| Changes in the lease liabilities (USD 1,000) | Total |
|---|---|
| **At first time adoption at 1 January 2020** | **2,579** |
| New leases recognized during the period | 1,273 |
| Cash payments for the principal portion of the lease liability | -302 |
| Cash payments for the interest portion of the lease liability | -149 |
| Interest expense on lease liabilities | 149 |
| Currency translation effects | 166 |
| **Total lease liabilities at 31 December 2020** | **3,716** |
| Current lease liabilities in the statement of financial position | 473 |
| Non-current lease liabilities in the statement of financial position | 3,243 |

| Changes in the lease liabilities (USD 1,000) | Total |
|---|---|
| **At 1 January 2021** | **3,716** |
| New leases recognized during the period | 1,537 |
| Cash payments for the principal portion of the lease liability (financing activities) | -636 |
| Cash payments for the interest portion of the lease liability (operating activities) | -217 |
| Interest expense on lease liabilities | 217 |
| Currency translation effects | -144 |
| **Total lease liabilities at 31 December 2021** | **4,473** |
| Current lease liabilities in the statement of financial position | 670 |
| Non-current lease liabilities in the statement of financial position | 3,803 |

## Lease commitments not included in the lease liabilities

*Inflation adjustments*

In addition to the lease liabilities presented above, the Group is committed to pay variable lease payments for its office buildings, mainly related to future inflation adjustments which is not included in the initial calculation of lease liabilities. The lease liability and right-of-use asset will be adjusted to reflect the inflation adjustment when the uncertainty related to the adjustment has been resolved, however, due to low inflation forecasts these adjustments are expected to be immaterial.

*Extension and termination options*

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the Group's business needs. The Group did not include the extension period for leases as part of the lease term when management were not reasonably certain to exercise the option to extend the leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

## Other matters

The Group's leases does not contain provisions or restrictions that impacts that Group's dividend policies or financing possibilities.

# Section 6 - Financial instruments and equity

## 6.1 Overview of financial instruments

ACCOUNTING POLICIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Classification of financial instruments

The Group's financial instruments are grouped in the following categories:

**Financial Assets**

*Financial assets measured subsequently at amortized cost:*

This includes mainly trade receivables and cash and cash equivalents.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. All of the Group's financial assets (i.e. trade receivables and cash and cash equivalents) are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets, primarily applicable to trade receivables, give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the SPPI test.

Reference is made to note 3.2 for information about the Group's policies related to estimating expected credit losses.

**Financial Liabilities**

*Financial liabilities measured subsequently at amortized cost*:

Represent the Group's interest-bearing liabilities as well as non-interest bearing liabilities such as trade payables.

The Group does not have derivative financial instruments. None of the Group's financial liabilities are designated as at fair value through profit or loss, i.e. they are all measured at amortized cost.

### Initial recognition and subsequent measurement

The Group's financial assets and liabilities are initially recognized at fair value plus directly attributable transaction expenses.

Subsequently, these instruments are measured at amortized cost using the effective interest method (EIR). Gains and losses are recognized in profit or loss upon impairment, when the instruments are derecognized as well as through the EIR amortization process.

### Impairment of financial assets

Financial assets measured at amortized cost are considered for impairment by recognizing an allowance for expected credit losses (ECLs). The Group applies a simplified approach (as applicable for trade receivables) in calculating ECLs, where the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment (e.g. market trends, default rates in the retail market etc.).

### Derecognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Group has transferred its rights to receive cash flows from the asset or the Group has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

The carrying amount of the Group's financial assets and liabilities are presented in the tables below:

| 31 December 2021 (USD 1,000) | Note | Financial instruments at amortized cost | Total |
|---|---|---|---|
| **Assets** | | | |
| Trade receivables | 3.2 | 11,850 | **11,850** |
| Cash and cash equivalents | 6.6 | 42,174 | **42,174** |
| **Total financial assets** | | **54,024** | **54,024** |
| | | | |
| **Liabilities** | | | |
| Non-current interest-bearing liabilities | 6.2 | | |
| Current interest-bearing liabilities | 6.2 | | |
| Trade payables | 3.4 | 4,775 | **4,775** |
| Non-current lease liabilities | 5.4 | 3,803 | **3,803** |
| Current lease liabilities | 5.4 | 670 | **670** |
| **Total financial liabilities** | | **9,248** | **9,248** |

Significant finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 2.7.

| 31 December 2020 (USD 1,000) | Note | Financial instruments at amortized cost | Total |
|---|---|---|---|
| **Assets** | | | |
| Trade receivables | 3.2 | 7,000 | **7,000** |
| Cash and cash equivalents | 6.6 | 62,943 | **62,943** |
| **Total financial assets** | | **69,944** | **69,944** |
| | | | |
| **Liabilities** | | | |
| Non-current interest-bearing liabilities | 6.2 | | |
| Current interest-bearing liabilities | 6.2 | 1,901 | **1,901** |
| Trade payables | 3.4 | 2,788 | **2,788** |
| Non-current lease liabilities | 5.4 | 3,243 | **3,243** |
| Current lease liabilities | 5.4 | 473 | **473** |
| **Total financial liabilities** | | **8,405** | **8,405** |

| 1 January 2020 (USD 1,000) | Note | Financial instruments at amortized cost | Total |
|---|---|---|---|
| **Assets** | | | |
| Trade receivables | 3.2 | 4,640 | **4,640** |
| Cash and cash equivalents | 6.6 | 5,589 | **5,589** |
| **Total financial assets** | | **10,229** | **10,229** |
| **Liabilities** | | | |
| Non-current interest-bearing liabilities | 6.2 | 2,037 | **2,037** |
| Current interest-bearing liabilities | 6.2 | | |
| Trade payables | 3.4 | 1,384 | **1,384** |
| Non-current lease liabilities | 5.4 | 2,319 | **2,319** |
| Current lease liabilities | 5.4 | 260 | **260** |
| **Total financial liabilities** | | **6,000** | **6,000** |

## 6.2 Interest-bearing liabilities

### Specification of the Group's interest-bearing liabilities

| Non-current interest-bearing liabilities (USD 1,000) | Interest rate | Maturity | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|---|---|
| Term loan, DNB (NOK) | 8.50% | 01.08.2022* | | | 1,012 |
| Term loan, Innovation Norway (NOK) | 4.45% | 10.01.2026** | | | 1,025 |
| **Total non-current interest-bearing liabilities** | | | | | **2,037** |

| Current interest-bearing liabilities (USD 1,000) | Interest rate | Maturity | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|---|---|
| Term loan, DNB (NOK) | 8.50% | 01.08.2022* | | 846 | |
| Term loan, Innovation Norway (NOK) | 4.45% | 10.01.2026** | | 1,055 | |
| **Total current interest-bearing liabilities** | | | | **1,901** | |

* In mid 2019, the Group entered a loan agreement with DNB and received funds of USD 1,125 thousands on 1 August 2019. The term loan was initially repaid in monthly installments over three years with an interest rate of 8.5%, but was settled in full in January 2021.

** In 2018, the Group entered into a loan agreement with Innovation Norway and received of USD 1,025 thousands on 9 January 2019. The term loan was initially repaid in quarterly installments over five years starting from 10 January 2021 with an interest rate of 4.45%, but was settled in full in January 2021.

The reconciliation of changes in liabilities incurred as a result of financing activities are presented in note 6.10. Assets pledged as security for loans and borrowings are presented in the table below:

| Assets pledged as security & guarantee liabilities (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| **Secured balance sheet liabilities:** | | | |
| Interest-bearing liabilities to financial institutions | | 1,901 | 2,037 |
| **Value of assets pledged as security for secured liabilities:** | | | |
| Trade receivables | 1,134 | 2,227 | 2,164 |
| Inventories | 1,134 | 2,227 | 2,164 |
| Property, plant and equipment | 1,134 | 2,227 | 2,164 |
| **Total assets pledged as security** | **3,402** | **6,680** | **6,492** |

The Group has not given any guarantees to or on behalf of third parties in the current and previous period.

## 6.3 Ageing of financial liabilities

Contractual undiscounted cash flows from financial liabilities is presented below:

| 31.12.2021 (USD 1,000) | Note | Remaining contractual maturity 1-12 months | 1-2 years | 2-3 years | 3-4 years | More than 4 years | Total |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Non-current interest-bearing liabilities | 6.2 | | | | | | |
| Current interest-bearing liabilities | 6.2 | | | | | | |
| Trade and other payables | 3.4 | 7 027 | | | | | **7,027** |
| Non-current lease liabilities | 5.4 | | 994 | 1,001 | 1,010 | 1,312 | **4,316** |
| Current lease liabilities | 5.4 | 999 | | | | | **999** |
| **Total financial liabilities** | | **8 026** | **994** | **1,001** | **1,010** | **1,312** | **12,343** |

| 31.12.2020 (USD 1,000) | Note | Remaining contractual maturity 1-12 months | 1-2 years | 2-3 years | 3-4 years | More than 4 years | Total |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Non-current interest-bearing liabilities | 6.2 | | | | | | |
| Current interest-bearing liabilities | 6.2 | 1,901 | | | | | **1,901** |
| Trade and other payables | 5.4 | 4,139 | | | | | **4,139** |
| Non-current lease liabilities | 5.4 | | 650 | 643 | 635 | 1,513 | **3,441** |
| Current lease liabilities | 5.4 | 649 | | | | | **649** |
| **Total financial liabilities** | | **6,689** | **650** | **643** | **635** | **1,513** | **10,130** |

| 01.01.2020 (USD 1,000) | Note | Remaining contractual maturity 1-12 months | 1-2 years | 2-3 years | 3-4 years | More than 4 years | Total |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Non-current interest-bearing liabilities | 6.2 | | | 1,012 | | 1,025 | **2,037** |
| Current interest-bearing liabilities | 6.2 | | | | | | |
| Trade and other payables | 5.4 | 2,301 | | | | | **2 301** |
| Non-current lease liabilities | 5.4 | | 450 | 455 | 455 | 1,532 | **2,891** |
| Current lease liabilities | 3.4 | 394 | | | | | **394** |
| **Total financial liabilities** | | **2,695** | **450** | **1 467** | **455** | **2,557** | **7,623** |

## 6.4 Financial risk management

### Overview

The Group's principal financial liabilities comprise lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Groups' operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Group seeks to minimize potential adverse effects of such risks through sound business practice, risk management and hedging.

Risk management is a continuous process and an integrated part of the Group's business. When operating across multiple markets, Airthings is exposed to a range of risks that may affect its business. The key risk areas are discussed below.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include interest bearing debt, cash and cash and cash equivalents, trade receivables, lease liabilities and trade and other payables.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's borrowings have historically been exposed to interest rate fluctuations. As all borrowings were repaid in January 2021, the Group does no longer have any significant interest rate risk related to interest-bearing liabilities.

*Interest rate sensitivity*

The sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax, is illustrated below. In calculating the sensitivity analyses, the Group assumes that the sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective financial risks.

| Interest rate sensitivity | Increase / decrease in basis points | Effect on profit before tax (USD 1,000) |
|---|---:|---:|
| 31 December 2021 | +/- 50 | |
| 31 December 2020 | +/- 50 | 10 |
| 1 January 2020 | +/- 50 | 10 |

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency fluctuations due to the international nature of its operations. The Group's exposure to the risk of fluctuations in foreign exchange rates relates primarily to the Group's operating activities (revenue and expenses denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. A significant part of revenues is denominated in USD, with a small portion incurred in NOK, EUR and CAD. Most of its operating expenses are incurred in NOK. Further, the Group could also potentially be negatively affected by fluctuations in other currencies in the future. The Group does not currently hedge currency exposure with the use of financial instruments but monitors the net exposure over time.

*Foreign currency sensitivity*

The following table illustrates the sensitivity for a hypothetical increase or decrease in the foreign exchange rates related to the Group's financial assets and liabilities in the period, holding all other variables constant:

| Foreign currency sensitivity | Date | Change in FX rate | Effect on profit before tax (USD 1,000) |
|---|---|---|---|
| Increase / decrease in NOK/USD | 31.12.2021 | +/- 10% | 526 |
| Increase / decrease in NOK/USD | 31.12.2020 | +/- 10% | 502 |
| Increase / decrease in NOK/USD | 01.01.2020 | +/- 10% | 362 |

| Foreign currency sensitivity | Date | Change in FX rate | Effect on profit before tax (USD 1,000) |
|---|---|---|---|
| Increase / decrease in NOK/CAD | 31.12.2021 | +/- 10% | 470 |
| Increase / decrease in NOK/CAD | 31.12.2020 | +/- 10% | 115 |
| Increase / decrease in NOK/CAD | 01.01.2020 | +/- 10% | 41 |

| Foreign currency sensitivity | Date | Change in FX rate | Effect on profit before tax (USD 1,000) |
|---|---|---|---|
| Increase / decrease in NOK/EUR | 31.12.2021 | +/- 10% | 267 |
| Increase / decrease in NOK/EUR | 31.12.2020 | +/- 10% | 216 |
| Increase / decrease in NOK/EUR | 01.01.2020 | +/- 10% | 97 |

### Credit risk

Credit risk represents the possibility of a counterparty not meeting its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is mainly exposed to credit risk from its operating activities.

The credit risk is low in the Consumer segment, where most sales are based on upfront or simultaneous payment, and the Group may also seek advance payments to offset risk on trade receivables in the other segments. The Group has close connection with its customers and receivable balances are monitored on an ongoing basis. It is the Group's policy that all customers wishing to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity, and financial position.

The Group's exposure to losses have historically been low. However, the increased operations of the Group outside the US and home market exposes Airthings to different credit risk environments. The Board of Directors deems credit risk to be at an acceptable level given the current operational circumstances and outlook of the Group.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance. For an overview of the ageing of trade receivables and the expected credit losses recognized for trade receivables see note 3.2.

### Liquidity risk

Liquidity 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 has a strong cash position of USD 42 million, which the Board of Directors consider sufficient to fund the Group's growth strategy towards in long-term revenue targets. The liquidity risk is hence considered to be limited.

An overview of the maturity profile of the Group's financial liabilities with corresponding cash flow effect is presented in note 6.3 and 6.10.

## 6.5 Fair value measurement

### ACCOUNTING POLICIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### Fair value disclosures

Management has assessed that the fair values of cash and short-term deposits, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments and the current risk free interest rates.

*Interest-bearing liabilities*

The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounted cash flow (DCF) method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2021 was assessed to be insignificant.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| Liabilities disclosed at fair value (USD 1,000) | Date | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|
| Interest-bearing liabilities (note 6.2) | 31.12.2021 | | | | | |
| Interest-bearing liabilities (note 6.2) | 31.12.2020 | 1,901 | 1,901 | | X | |
| Interest-bearing liabilities (note 6.2) | 01.01.2020 | 2,037 | 2,037 | | X | |

The Group had no interest-bearing debt as of 31 December 2021.

## 6.6 Cash and cash equivalents

### ACCOUNTING POLICIES

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes which may not be used for other purposes, in addition to restricted funds related to a credit agreement with DNB MasterCard and restricted deposits in Nordea.

| Cash and cash equivalents (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Bank deposits, unrestricted | 40,846 | 61,800 | 5,352 |
| Bank deposits, restricted | 1,328 | 1,143 | 238 |
| **Total cash and cash equivalents** | **42,174** | **62,943** | **5,589** |

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

## 6.7 Share capital and shareholders information

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a healthy working capital and financial stability in order to support its growing business operations and to maximize shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or issue debt. The Group monitors capital using an equity ratio, which is 'Total equity' divided by 'Total assets'.

| (USD 1,000) | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| Total Equity | 67,842 | 76,648 | 10,300 |
| Total Assets | 83,680 | 90,976 | 19,190 |
| **Equity ratio** | **81%** | **84%** | **54%** |

### ACCOUNTING POLICIES

#### Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if sold, is recognized as other equity.

#### Costs related to equity transactions

Direct and incremental transaction costs are deducted from equity, net of associated income tax.

### Distribution to shareholders

The Group recognizes a liability to make distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

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

### The ultimate parent

Airthings ASA is the ultimate parent of the Group.

### 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 1 January 2020** | **567 729** | **1.00** | **65** |
| Share capital increase - April 2020 | 55 658 | 1.00 | 5 |
| Share capital increase - July 2020 | 18 466 | 1.00 | 2 |
| Share capital increase - August 2020 | 21 453 | 1.00 | 2 |
| Share capital increase - October 2020 | 663 306 | 1.00 | 71 |
| Share split (1:200) - October 2020 | 131 334 588 | | |
| Share capital increase - October 2020 | 37 037 037 | 0.01 | 41 |
| Share capital increase - October 2020 | 608 000 | 0.01 | 1 |
| Share capital increase - November 2020 | 299 400 | 0.01 | 0 |
| **At 31 December 2020** | **170 605 637** | **0.01** | **188** |
| Share capital increase - February 2021 | 523 400 | 0.01 | 1 |
| Share capital increase - April 2021 | 112 900 | 0.01 | 0 |
| Share capital increase - July 2021 | 289 600 | 0.01 | 0 |
| Share capital increase - October 2021 | 284 900 | 0.01 | 0 |
| **At 31 December 2021** | **171 816 437** | **0.01** | **190** |

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.

### Purchase and sale of treasury shares

The Group's treasury shares were settled in connection with the listing at Euronext Growth in 2020.

**The Group's shareholders:**

| Shareholders in Airthings ASA at 31.12.2021 | Total shares | Ownership/Voting rights |
|---|---|---|
| Firda AS | 25 826 543 | 15% |
| Verdipapirfondet KLP AksjeNorge | 7 762 222 | 5% |
| Rabakken Invest AS | 5 800 364 | 3% |
| Atlas Invest AS | 5 637 468 | 3% |
| Halvor Wøien | 4 879 522 | 3% |
| Erlend Peter Johnsen Bolle | 4 819 722 | 3% |
| Victoria India Fund AS | 4 558 131 | 3% |
| J.P. Morgan Bank Luxembourg S.A. | 4 433 967 | 3% |
| Bjørn Magne Sundal | 4 364 999 | 3% |
| Koki Yoshioka | 4 166 650 | 2% |
| JPMorgan Chase Bank | 4 000 000 | 2% |
| Verdipapirfondet EIKA Spar | 3 382 067 | 2% |
| Skandinaviska Enskilda Banken AB | 3 025 292 | 2% |
| Skilling Systemer AS | 3 000 000 | 2% |
| Danske Invest Norge Vekst | 2 962 962 | 2% |
| Møsbu AS | 2 814 236 | 2% |
| Verdipapirfondet Storebrand Norge | 2 657 876 | 2% |
| Longfellow Invest AS | 2 453 534 | 1% |
| Nore-Invest AS | 2 450 659 | 1% |
| Storlien Invest AS | 2 427 533 | 1% |
| Other | 70 392 690 | 41% |
| **Total** | **171 816 437** | **100%** |

Shares held by management and the Board of Directors at the end of the reporting period is disclosed in note 7.1.

| Shareholders in Airthings ASA at 31.12.2020 | Total shares | Ownership/Voting rights |
|---|---|---|
| Firda AS | 24 949 613 | 15% |
| Rabakken Invest AS | 8 300 364 | 5% |
| Verdipapirfondet KLP Aksjenorge | 8 062 222 | 5% |
| Atlas Invest AS | 5 637 468 | 3% |
| Verdipapirfondet Norge Selektiv | 4 984 704 | 3% |
| Bjørn Magne Sundal | 4 851 853 | 3% |
| Halvor Wøien | 4 829 522 | 3% |
| Erlend Peter Johnsen Bolle | 4 819 722 | 3% |
| Skilling Systemer AS | 4 350 763 | 3% |
| J.P. Morgan Bank Luxembourg S.A. | 4 258 660 | 2% |
| Koki Yoshioka | 4 166 650 | 2% |
| JPMorgan Chase Bank, N.A., London | 4 000 000 | 2% |
| Danske Invest Norge Vekst | 2 962 962 | 2% |
| Verdipapirfondet DNB Norge | 2 962 962 | 2% |
| Storebrand Norge I Verdipapirfond | 2 901 978 | 2% |
| Møsbu AS | 2 814 236 | 2% |
| HSBC Trinkaus & Burkhardt AG | 2 770 974 | 2% |
| Verdipapirfondet DNB SMB | 2 664 451 | 2% |
| Longfellow Invest AS | 2 427 534 | 1% |
| Storlien Invest AS | 2 427 533 | 1% |
| Other | 65 461 466 | 38% |
| **Total** | **170 605 637** | **100%** |

Shares held by management and the Board of Directors at the end of the reporting period is disclosed in note 7.1.

| Shareholders in Airthings ASA at 01.01.2020 | Total shares | Ownership/Voting rights |
|---|---|---|
| Firda AS | 146 876 | 26% |
| Rabakken Invest AS | 49 140 | 9% |
| Atlas Invest AS | 41 600 | 7% |
| Halvor Wøien | 30 061 | 5% |
| Erlend Peter Johnsen Bolle | 30 000 | 5% |
| Bjørn Magne Sundal | 30 000 | 5% |
| Longfellow Invest AS | 29 685 | 5% |
| Skilling Systemer AS | 27 081 | 5% |
| Other | 183 286 | 32% |
| **Total** | **567 729** | **100%** |

Shares held by management and the Board of Directors at the end of the reporting period is disclosed in note 7.1.

## 6.8 Share-based payments

### ACCOUNTING POLICIES

Employees (including members of the Board and management) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

#### Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using

an appropriate valuation model (the Black-Scholes-Merton Model).

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

#### Share option plans - description

*Option scheme 2018*

Under the Group's share option plan from 2018, rights to purchase Airthings ASA shares at a specific price are granted to members of the Board, management and employees of the Group. Each option grant vest as follows: 25% of the options are vested 12 months from the grant date, then 1/48 vest each month thereafter. Full vesting occurs after four years and last possible exercise is 10 years from grant date.

*Option scheme 2021*

Options granted after the Annual General Meeting 2021 vests with equal tranches with 25% each year starting on the first anniversary of the grant date. The options can be exercised after they are fully vested until they expire 5 years after the grant date.

The Group accounts for the share options under the two option schemes as equity-settled transactions, measured by applying the Black-Scholes-Merton option-pricing model for European options ("BSM"). Share options held by members of the Board and management at the end of the reporting period are summarized in note 7.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. USD 608 thousands was expensed as employee benefit expenses in the period (USD 460 thousands in 2020). The expected future social security tax on share based payments are recorded as a liability and disclosed in note 3.5.

### Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | 2021 WAEP (NOK) | 2021 | 2020 WAEP (NOK) | 2020 |
|---|---|---|---|---|
| Outstanding options 1 January | 2.08 | 9 715 824 | 1.42 | 9 541 600 |
| Options granted | 9.36 | 1 744 156 | 5.00 | 1 690 824 |
| Options forfeited | 4.71 | -372 923 | 1.49 | -352 400 |
| Options exercised* | 1.40 | -1 210 800 | 1.11 | -1 164 200 |
| Options expired | | | | |
| **Outstanding options 31 December** | | **9 876 257** | | **9 715 824** |
| Exercisable at 31 December | | | | |

* The weighted average exercise price at the date of exercise of these options was NOK 1.40 in 2021, and NOK 1.11 in 2020.

The weighted average remaining contractual life for the options outstanding as at 31 December 2021 was 6.06 years (2020: 7.27 years). The weighted average fair value of options granted during the year was NOK 4.05 (2020: NOK 3.46).

**Overview of outstanding options at 31.12.2021:**

| | Exercise price (NOK) | Number of outstanding options | Weighted Average remaining contractual life | Number of options exercisable |
|---|---|---|---|---|
| | 0.00 - 2.00 | 5 226 600 | 5.34 | 4 747 800 |
| | 2.00 - 4.00 | 2 427 000 | 7.70 | 1 265 800 |
| | 4.00 - 6.00 | 120 000 | 8.58 | 29 600 |
| | 6.00 - 8.00 | 281 800 | 8.68 | 132 064 |
| | 8.00 - 10.00 | 1 447 874 | 4.60 | 2 708 |
| | 10.00 - 12.00 | 106 971 | 6.69 | 2 845 |
| | 12.00 - | 266 012 | 9.13 | 23 792 |
| **Outstanding options 31 December** | | **9 876 257** | | **6 204 609** |

**Overview of outstanding options at 31.12.2020:**

| | Exercise price (NOK) | Number of outstanding options | Weighted Average remaining contractual life | Number of options exercisable |
|---|---|---|---|---|
| | 0.00 - 2.00 | 6 162 000 | 6.32 | 4 901 800 |
| | 2.00 - 4.00 | 2 923 000 | 8.75 | 592 800 |
| | 4.00 - 6.00 | 160 000 | 9.62 | |
| | 6.00 - 8.00 | 380 000 | 9.68 | |
| | 8.00 - 10.00 | | | |
| | 10.00 - 12.00 | 10 509 | 9.88 | |
| | 12.00 - | 80 315 | 9.92 | |
| **Outstanding options 31 December** | | **9 715 824** | | **5 494 600** |

## SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the options, volatility and dividend yield and making assumptions about them. Due to limited historical data and liquidity these assumptions include significant estimates by management.

**Assumptions used to determine fair value of option grants:**

The following table list the inputs to the model used for the plans for the years ended 31 December 2021 and 31 December 2020, respectively:

| | 2021 | 2020 |
|---|---|---|
| Weighted average fair values at the measurement date (NOK) | 4.05 | 3.46 |
| Dividend yield (%) | 0% | 0% |
| Expected volatility (%) | 45.6% | 48.9% |
| Risk-free interest rate (%) | 1.20% | 0.95% |
| Expected life of share options (years) | 5.79 | 9.99 |
| Weighted average share price (NOK) | 9.67 | 5.66 |
| Weighted average exercise price (NOK) | 9.36 | 5.08 |
| Model used | BSM | BSM |

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Exercise of options are subject to social security taxes (SST). For SST-provisions, see note 3.5.

## 6.9 Earnings per share

### ACCOUNTING POLICIES

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

| (Profit or loss in USD) | 2021 | 2020 |
|---|---|---|
| Profit or loss attributable to ordinary equity holders - for basic EPS | -7 260 506 | -4 130 864 |
| Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution* | -7 260 506 | -4 130 864 |
| Weighted average number of ordinary shares - for basic EPS | 171 306 689 | 131 891 490 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 178 442 358 | 140 197 370 |
| **Basic EPS - profit or loss attributable to equity holders of the parent** | -0.04 | -0.03 |
| **Diluted EPS - profit or loss attributable to equity holders of the parent*** | -0.04 | -0.03 |

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

## 6.10 Changes in liabilities arising from financing activities

**Reconciliation of changes in liabilities incurred as a result of financing activities:**

| 2021 (USD 1,000) | Note | 01.01. 2021 | Cash flow effect | Non-cash changes | | | 31.12. 2021 |
|---|---|---|---|---|---|---|---|
| | | | | New leases | Foreign exchange movement | Other changes | |
| Non-current interest-bearing liabilities | 6.2 | | | | | | |
| Current interest-bearing liabilities | 6.2 | 1 901 | -1 905 | | | 4 | |
| Lease liabilities | 5.4 | 3 716 | -853 | 1 537 | -144 | 217 | **4 473** |
| **Total liabilities from financing** | | **5 617** | **-2 758** | **1 537** | **-144** | **221** | **4 473** |

| 2020 (USD 1,000) | Note | 01.01. 2021 | Cash flow effect | Non-cash changes | | | 31.12. 2021 |
|---|---|---|---|---|---|---|---|
| | | | | New leases | Foreign exchange movement | Other changes | |
| Non-current interest-bearing liabilities | 6.2 | 2 037 | -284 | | 41 | -1 795 | |
| Current interest-bearing liabilities | 6.2 | | | | | 1 901 | **1 901** |
| Lease liabilities | 5.4 | 2 579 | -451 | 1 273 | 166 | 149 | **3 716** |
| **Total liabilities from financing** | | **4 616** | **-735** | **1 273** | **207** | **255** | **5 617** |

# Section 7 - Other disclosures

## 7.1 Remuneration to Management and Board

### Remuneration to the Board of Directors

Remuneration for the members of the Board is determined by the Annual General Meeting (AGM). The remuneration is not linked to the Group's performance but reflects the Board's responsibilities, expertise, time and commitment. Remuneration of the Board of Directors consist of a fixed annual fee, and was adopted by the General Meeting on May 5, 2021. Annual remuneration is USD 23 thousands for the Chairman and USD 23 thousands for Board Members, whereof 50% shall be paid out in advance and 50% in arrears. Employee representatives do not receive remuneration nor share options for board participation.

### Remuneration to the management team

The Board of Airthings ASA determines the principles applicable to the Group's policy for compensation to the management team. The Board is directly responsible for determining the CEO's salary and other benefits. The Group's management team includes the Chief Executive Officer ("CEO"), the Chief Operating Officer ("COO"), the Chief Product Officer ("CPO"), the Chief Marketing Officer ("CMO"), the Chief Financial Officer ("CFO"), the SVP Airthings for Business, SVP Airthings for Consumer, and the Director of Human Resources ("Director of HR").

*Principles for determining base salary*

The main principle for determining base salary for each member of the management team has been a fixed annual salary with the addition of benefits in kind such as telephone, insurance and internet subscription subscription. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

*Bonus*

In addition to base salary, the CEO and COO has a performance based bonus agreement up to 40% (CEO) and 30% (COO) of base salary. The criteria for bonus realization is determined 50% on achievement of KPIs, and 50 % is discretionary set by the Board.  SVP Airthings for Business and SVP Consumer products have an agreement of bonus up to 30% of base salary. The criteria for bonus achievement is based on the sales teams total budget. The other part of the management team has an agreement of bonus up to USD 14 thousands with criteria for realization on a wide number of KPI targets.

*Pension*

All members of the management team are part of the defined contribution pension scheme.

*Share-based payment benefits*

Members of the management team and members of the Board have been granted share options under the Group's share option plan, described in note 6.8. The share options held by the management team is summarized further below.

*Severance Arrangements*

If the CEO is terminated by the Board, he is not entitled to severance pay outside of the ordinary notice period of 3 months. Similarly, there are no agreements for severance pay for the other members of the management team, outside of the ordinary notice period of 3 months.

*Loans and guarantees*

No loans have been granted and no guarantees have been issued to members of the management team or any member of the Board of Director in the current or prior reporting period.

**Remuneration to the management team for the year ended 31 December 2021 (USD 1,000 [1]):**

| Name | Title | Salary | Bonus | Pension | Other | Total |
|---|---|---|---|---|---|---|
| Øyvind Birkenes | CEO | 228 | 49 | 8 | 1 | 286 |
| Magnus Navdal Bekkelund | CFO [2] | 63 | | 2 | | 65 |
| Audhild Andersen Randa | COO [2] | 63 | | 2 | | 65 |
| Erlend Bolle | CPO | 137 | 8 | 7 | 1 | 153 |
| Lauren Pedersen | CMO | 159 | 8 | 8 | 1 | 176 |
| Torje Carlsson | SVP, Airthings for Consumer | 152 | 39 | 8 | 1 | 200 |
| Pål Berntsen | SVP, Airthings for Business | 151 | 40 | 8 | 1 | 200 |
| Erik Lundby | Former CFO [3] | 80 | 8 | 6 | | 94 |
| Koki Yoshioka | Former COO [3] | 82 | 8 | 7 | 1 | 98 |
| Jonas Olsson | Former VP R&D Hardware Products [3] | 83 | 8 | 8 | 1 | 100 |
| Alexander Sagen | Former VP R&D Software Solutions [3] | 65 | 8 | 6 | 3 | 82 |
| **Total** | | **1 262** | **177** | **68** | **12** | **1 519** |

1 Compensation is paid in NOK, with the USD equivalent determined based on the average exchange rate during the year.
2 Compensation is only reflected for the period that the executive was a part of management which was from 1 August, 2021.
3 Compensation is only reflected for the period that the executive was a part of management which was until 31 July, 2021.

**Remuneration to the management team for the year ended 31 December 2020 (USD 1,000 [1]):**

| Name | Title | Salary | Bonus | Pension | Other [2] | Total |
|---|---|---|---|---|---|---|
| Øyvind Birkenes | CEO | 182 | 38 | 6 | 731 | 957 |
| Erlend Bolle | CTO | 120 | 5 | 5 | 1 | 132 |
| Koki Yoshioka | COO | 125 | 5 | 6 | 1 | 137 |
| Lauren Pedersen | CMO | 112 | | 6 | 17 | 135 |
| Erik Lundby | CFO | 45 | | 2 | | 47 |
| Pål Berntsen | SVP, Airthings for Business | 130 | 37 | 6 | 29 | 202 |
| Torje Carlsson | SVP, Airthings for Consumer | 132 | 36 | 6 | 1 | 175 |
| Jonas Olsson | VP R&D Hardware Products | 84 | | 6 | 1 | 90 |
| Alexander Sagen | VP R&D Software Solutions | 96 | 5 | 4 | 13 | 118 |
| **Total** | | **1 025** | **128** | **46** | **795** | **1 995** |

1 Compensation is paid in NOK, with the USD equivalent determined based on the average exchange rate during the year.
2 Other compensation includes exercised options during the period (excluding social security tax). The following members of the management team exercised options during 2020: Øyvind Birkenes: 608,000 options (strike price: NOK 0.51 - 3.36). Pål Berntsen: 27,000 options (strike price: NOK 1.45). Alexander Sagen: 10,000 options (strike price: NOK 0.70)

**Remuneration to the Board of Directors for the year ended 31 December (USD 1,000[1]):**

| Name | Title | 2021 | 2020[6] |
|---|---|---|---|
| Aksel Lund Svindal | Chairman of the Board[2] | 12 | |
| Geir Førre | Board member[3] | 12 | 19 |
| Liv Dyrnes | Board member | 12 | 11 |
| Lars Boilesen | Board member | 12 | 11 |
| Emma Tryti | Board member[4] | | |
| Karin Berg | Board member[4] | | |
| Anlaug Underdal | Board member - Employee representative | | 8 |
| Tore Rismyhr | Board member - Employee representative | | 14 |
| Audhild Andersen Randa | Former Board member[5] | | 11 |
| **Total compensation to Board of Directors** | | **48** | **74** |

1 Compensation is paid in NOK, with the USD equivalent determined based on the average exchange rate during the year.
2 Board member in 2020
3 Chairman of the Board in 2020
4 New board member from the extraordinary general meeting held on 28 October, 2021.
5 Board member until July 2021
6 Total remuneration includes remuneration related to options exercised during the period. The following Board members exercised options during 2020 (no exercises in 2021): Anlaug Underdal: 13,000 options (strike price: NOK 0.70). Tore Rismyhr: 16,200 options (strike price: NOK 3.36)

**Shares held by the management team:**

| Name | Title | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Øyvind Birkenes[1] | CEO | 2 824 114 | 2 798 114 |
| Magnus Navdal Bekkelund | CFO | 7 500 | |
| Audhild Andersen Randa | COO | 25 000 | |
| Erlend Bolle | CPO | 4 819 722 | 4 819 722 |
| Lauren Pedersen[2] | CMO | 315 621 | 255 400 |
| Torje Carlsson[3] | SVP Airthings for Consumer | 360 000 | 360 000 |
| Pål Berntsen[4] | SVP Airthings for Business | 518 200 | 518 200 |
| Erik Lundby[5] | Former CFO | | 146 811 |
| Koki Yoshioka | Former COO | | 4 166 650 |
| Jonas Olsson | Former VP R&D Hardware Products | | 31 800 |
| Alexander Sagen | Former VP R&D Software Solutions | | 110 000 |
| **Total** | | **8 870 157** | **13 206 697** |

1 Privately and through Longfellow Invest AS
2 Through Lato Invest AS
3 Through Carlsson Invest AS
4 Privately and through Dube Invest AS
5 Through Calluna AS

**Shares held by the Board of Directors:**

| Name | Title | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Aksel Lund Svindal | Chairman of the Board [1] | 1 141 978 | 1 088 133 |
| Geir Førre | Board member [2] | 25 826 543 | 24 949 613 |
| Liv Dyrnes | Board member | 17 500 | 7 500 |
| Lars Boilesen | Board member | 100 000 | |
| Emma Tryti | Board member [3] | | |
| Karin Berg | Board member [3] | | |
| Anlaug Underdal | Board member - Employee representative | 46 000 | 42 800 |
| Tore Rismyhr | Board member - Employee representative | 63 800 | 63 800 |
| Audhild Andersen Randa | Former Board member [4] | | 15 000 |
| **Total** | | **27 195 821** | **26 166 846** |

1 Through A Management AS. Board member in 2020
2 Through Firda AS. Chairman of the Board in 2020
3 New board member from the extraordinary general meeting held on 28 October, 2021
4 Board member until July 2021

**Share options held by the management team as at 31.12.2021:**

| Name | Title | 31.12.2021 | Strike price (NOK) | Remaining life (years) |
|---|---|---|---|---|
| Øyvind Birkenes | CEO | 2 086 600 | 0.51 - 8.56 | 3.66 - 7.01 |
| Magnus Navdal Bekkelund | CFO | 46 584 | 8.56 - 13.35 | 4.42 - 9.13 |
| Audhild Andersen Randa | COO | 120 000 | 8.56 | 4.42 |
| Erlend Bolle | CPO | 70 000 | 8.56 | 4.42 |
| Lauren Pedersen | CMO | 285 000 | 3.36 - 8.56 | 4.42 - 8.1 |
| Torje Carlsson | SVP Airthings for Consumer | 761 200 | 1.45 - 8.56 | 4.42 - 7.0 |
| Pål Berntsen | SVP Airthings for Business | 548 000 | 1.45 - 8.56 | 4.42 - 7.0 |
| **Total** | | **3 917 384** | | |

**Share options held by the management team as at 31.12.2020:**

| Name | Title | Outstanding options | Strike price (NOK) | Remaining life (years) |
|---|---|---|---|---|
| Øyvind Birkenes | CEO | 1 936 600 | 0.51 - 3.36 | 4.66 - 8.01 |
| Lauren Pedersen | CMO | 200 000 | 3.36 | 9.10 |
| Torje Carlsson | SVP Airthings for Consumer | 686 200 | 1.45 | 8.00 |
| Pål Berntsen | SVP Airthings for Business | 473 000 | 1.45 | 8.00 |
| Erik Lundby | Former CFO | 160 000 | 7.52 | 9.65 |
| Koki Yoshioka | Former COO | | | |
| Jonas Olsson | Former VP R&D Hardware Products | 200 000 | 3.36 | 9.25 |
| Alexander Sagen | Former VP R&D Software Solutions | 192 400 | 0.7 - 1.45 | 6.42 - 7.92 |
| **Total** | | **3 848 200** | | |

**Share options held by the Board of Directors as at 31.12.2021:**

| Name | Title | Outstanding options | Strike price (NOK) | Remaining life (years) |
|---|---|---|---|---|
| Aksel Lund Svindal | Chairman of the Board | 100 000 | 3.36 | 7.25 |
| Geir Førre | Board member | | | |
| Liv Dyrnes | Board member | | | |
| Lars Boilesen | Board member | | | |
| Emma Tryti | Board member | | | |
| Karin Berg | Board member | | | |
| Anlaug Underdal | Board member - Employee representative | 67 800 | 0.7 - 8.56 | 4.42 - 5.84 |
| Tore Rismyhr | Board member - Employee representative | 57 030 | 3.36 - 8.56 | 4.42 - 7.75 |
| **Total** | | **224 830** | | |

**Share options held by the Board of Directors as at 31.12.2020:**

| Name | Title | Outstanding options | Strike price (NOK) | Remaining life (years) |
|---|---|---|---|---|
| Geir Førre | Chairman of the Board | | | |
| Aksel Lund Svindal | Board member | 100 000 | 3.36 | 8.25 |
| Liv Dyrnes | Board member | | | |
| Lars Boilesen | Board member | | | |
| Anlaug Underdal | Board member - Employee representative | 47 000 | 0.70 | 6.84 |
| Tore Rismyhr | Board member - Employee representative | 43 800 | 3.36 | 8.75 |
| Audhild Andersen Randa | Board member | | | |
| **Total** | | **190 800** | | |

## 7.2 Related party transactions

Related parties are major shareholders, members of the Board and Management team in the parent company and the group subsidiaries. Note 4.1 and 6.7 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period are presented in note 7.1. Shares and share options held by the management team and the Board are also summarized in note 7.1.

All transactions within the Group or with other related parties are based on the principle of arm's length.

The following tables provide the total amount of transactions and balances with related parties (outside the Group) for the relevant financial periods:

| Related party transactions in 2021 and balances at 31 December 2021 (USD 1,000) | Executive management | Board Member | Other | Total |
|---|---|---|---|---|
| Income from related parties | | | 6,088 | **6,088** |
| Payments to related parties | 1,520 | 47 | 1,015 | **2,583** |
| Related party receivables | 41 | | | **41** |

Payments to related parties include remuneration paid to management and the Board (refer to note 7.1), commissions and accrued cost invoiced from Rn222 Inc., rent of premises from Energy Control AS and consultant services from Firda AS. Income from related parties include sale of goods to Rn222 Inc. and Energy Control AS.

Related party receivables as at 31 December 2021 are mainly related to prepaid salary to employees.

| Related party transactions in 2020 and balances at 31 December 2020 (USD 1,000) | Executive management | Board Member | Other | Total |
|---|---|---|---|---|
| Income from related parties | | | 2,146 | **2,146** |
| Payments to related parties | 1,995 | 72 | 870 | **2,937** |
| Related party receivables | 3 | | | **3** |

Payments to related parties include remuneration paid to management and the Board (refer to note 7.1), fees invoiced from Rabakken invest AS, commissions and accrued cost invoiced from Rn222 Inc., and rent of premises from Energy Control AS. Income from related parties include sale of goods to Rn222 Inc. and Energy Control AS.

Related party receivables as at 31 December 2020 are mainly related to prepaid salary to employees.

| Related party transactions in 2020 and balances at 31 December 2020 (USD 1,000) | Executive management | Board Member | Other | Total |
|---|---|---|---|---|
| Related party receivables | 21 | | | **21** |

Related party receivables as at 1 January 2020 are mainly related to prepaid salary to employees.

- RN222 Inc. is a distributor of the Group's products in Canada. RN222 Inc. provides some consultancy services that are invoiced to the Group. The beneficial owner of RN222 Inc. was the leader of the Professional segment until February 2022.
- Energy Control AS is a shareholder of the Group, and has provided consultancy services to Airthings ASA. The beneficial owner of Energy Control AS in employed in the Group.
- Firda AS is the largest shareholder of the Group, and is owned by Geir Førre (Board member).
- Rabakken Invest AS is a shareholder of the Group, and has provided consultancy services to Airthings ASA.

## 7.3 Commitments and contingencies

### ACCOUNTING POLICIES

#### Other commitments and contingencies

Contingent liabilities are not recognized in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the possibility of an outflow of economic resources is considered remote.

Contingent assets are not recognized in the annual accounts but are disclosed when an inflow of economic benefits is considered probable.

#### Other commitments

The Group does not have other significant commitments to be disclosed.

#### Assets pledged as security and guarantee liabilities

For assets pledged as security and guarantee liabilities, see note 6.2.

## 7.4 Events after the reporting period

### ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognizes in the Group's consolidated financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

#### Adjusting events

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

#### Non-adjusting events

*War in Ukraine*

The escalation of the conflict between Russia and Ukraine which led to armed conflicts in Ukraine on 24 February, 2022 has created uncertainty regarding the development of the global economy. The evolving conflict does currently not 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.

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

# Section 8 - Changes in accounting policies

## 8.1 First time adoption of IFRS

These financial statements, for the period ended 31 December 2021 are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period ended 31 December 2020, as described in the basis of preparation (note 1.2). In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2020, the Group's date of transition to IFRS.

This note explains the principal adjustments made by the Group when transitioning to IFRS from its previous reporting framework; Generally Accepted Accounting Principles in Norway ("NGAAP") as of 1 January 2020, as well as for the period ended 31 December 2020.

*Exemptions applied*

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

- The Group has decided to use the option of calculating the right-of-use asset and lease liability as net present value of remaining lease payments as at 1 January 2020, using the incremental borrowing rate. The leases where the lease period ends within 12 months from the transition date, are treated as short term leases.
- The Group has decided to use the practical expedient in IFRS 15 Revenue from Contracts with Customers to not restate contracts that are completed at transition date, 1 January 2020. IFRS 1 defines a completed contract as a contract for which the entity has transferred all of the goods or services as identified in accordance with previous GAAP.
- As at 1 January 2020, the Group has set its cumulative translation differences that existed at the transition date to IFRS to zero.

*Effect of transition to IFRS*

The main differences recognized at the transition to IFRS are:

- The recognition of right-of-use assets and lease liabilities with corresponding depreciation and interest expenses, which was previously expensed as part of operating expenses
- Difference related to consideration payable to customers (accounted for as revenue reduction under IFRS)
- Reversal of goodwill amortization

The impact of the IFRS adjustments on the consolidated statement of financial position when transitioning from NGAAP as at 1 January 2020, and 31 December 2020 are described in detail below. Additionally, the impact of the IFRS adjustments on the consolidated statement of profit or loss and the consolidated statement of cash flows are described in detail further below.

NGAAP figures presented below are based on previously reported annual reports and translated to USD by using end rates for balance sheet and average rates for statement of comprehensive income. Where balances are subsequently restated, figures are based on the last presented restated balance in the annual report or interim report for Q4 2021.

## Reconciliation of transitional effects

**Reconciliation of equity and financial position as at 1 January 2020:**

| Amounts in USD 1,000 | Note | NGAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | 418 | | 418 |
| Goodwill | | | | |
| Property, plant and equipment | | 263 | | 263 |
| Right-of-use assets | A | | 2,579 | 2,579 |
| Deferred tax assets | D | 510 | 228 | 738 |
| Other non-current assets | | 38 | | 38 |
| **Other non-current assets** | | **1,230** | **2,807** | **4,037** |
| **Current assets** | | | | |
| Inventories | | 3,306 | | 3,306 |
| Trade receivables | | 4,640 | | 4,640 |
| Other receivables | | 1,618 | | 1,618 |
| Cash and cash equivalents | | 5,589 | | 5,589 |
| **Total current assets** | | **15,154** | | **15,154** |
| **TOTAL ASSETS** | | **16,383** | **2,807** | **19,190** |

**Reconciliation of equity and financial position as at 1 January 2020 *continued:***

| Amounts in USD 1,000 | Note | NGAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | | 65 | | 65 |
| Share premium | | 10,440 | | 10,440 |
| Other capital reserves | | 636 | | 636 |
| Other equity | E | -31 | -810 | -841 |
| **Total equity** | | **11,109** | **-810** | **10,300** |
| **Non-current liabilities** | | | | |
| Non-current interest-bearing liabilities | | 2,037 | | 2,037 |
| Non-current lease liabilities | B | | 2,319 | 2,319 |
| Deferred tax liabilities | | | | |
| Non-current provisions | | | | |
| **Total non-current liabilities** | | 2,037 | 2,319 | 4,356 |
| **Current liabilities** | | | | |
| Current interest-bearing liabilities | | | | |
| Current lease liabilities | B | | 260 | 260 |
| Trade and other payables | | 2,301 | | 2,301 |
| Contract liabilities | | 73 | | 73 |
| Income tax payable | | 4 | | 4 |
| Current provisions | C | 858 | 1,038 | 1,897 |
| **Total current liabilities** | | **3,236** | **1,298** | **4,534** |
| | | | | |
| **Total liabilities** | | **5,274** | **3,617** | **8,890** |
| **TOTAL EQUITY AND LIABILITIES** | | **16,383** | **2,807** | **19,190** |

**Reconciliation of equity and financial position as at 31 December 2020:**

| Amounts in USD 1,000 | Note | NGAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | 2,332 | | 2,332 |
| Goodwill | C | 3,096 | 221 | 3,317 |
| Property, plant and equipment | | 595 | | 595 |
| Right-of-use assets | A | | 3,578 | 3,578 |
| Deferred tax assets | D | 2,688 | 265 | 2,953 |
| Other non-current assets | | 1,524 | | 1,524 |
| **Other non-current assets** | | **10,234** | **4,064** | **14,298** |

**Reconciliation of equity and financial position as at 31 December 2020 *continued*:**

| Amounts in USD 1,000 | Note | NGAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **Current assets** | | | | |
| Inventories | | 4,694 | | 4,694 |
| Trade receivables | | 7,000 | | 7,000 |
| Other receivables | | 2,041 | | 2,041 |
| Cash and cash equivalents | | 62,943 | | 62,943 |
| **Total current assets** | | **76,678** | | **76,678** |
| **TOTAL ASSETS** | | **86,912** | **4,064** | **90,976** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | | 188 | | 188 |
| Share premium | | 78,472 | | 78,472 |
| Other capital reserves | | 1,096 | | 1,096 |
| Other equity | E | -2,390 | -718 | -3,108 |
| **Total equity** | | **77,367** | **-718** | **76,648** |
| **Non-current liabilities** | | | | |
| Non-current interest-bearing liabilities | | | | |
| Non-current lease liabilities | B | | 3,243 | 3,243 |
| Deferred tax liabilities | | 343 | | 343 |
| Non-current provisions | | 1,442 | | 1,442 |
| **Total non-current liabilities** | | **1,785** | **3,243** | **5,028** |
| **Current liabilities** | | | | |
| Current interest-bearing liabilities | | 1,901 | | 1,901 |
| Current lease liabilities | B | | 473 | 473 |
| Trade and other payables | | 4,139 | | 4,139 |
| Contract liabilities | | 422 | | 422 |
| Income tax payable | | 10 | | 10 |
| Current provisions | F | 1,289 | 1,066 | 2,355 |
| **Total current liabilities** | | **7,761** | **1,539** | **9,300** |
| | | | | |
| **Total liabilities** | | **9,545** | **4,782** | **14,327** |
| **TOTAL EQUITY AND LIABILITIES** | | **86,912** | **4,064** | **90,976** |

**IFRS adjustments of consolidated financial position as at 1 January 2020:**

**A:** The IFRS adjustment of USD 2,579 thousands reflects the recognized right-of-use asset less depreciation for the year related to leasing of office space. Under NGAAP lease payments were accounted for as operating expenses and hence no right-of-use asset has previously been recognized.

**B:** The IFRS adjustments of USD 2,319 thousands and USD 260 thousands reflect the non-current and current portion of the lease liability recognized for leasing of office space under IFRS 16. Under NGAAP no lease liability was recognized.

**C:** The IFRS adjustment of USD 1,038 thousands reflects adjustments related to accrued consideration payable to a customer. Under IFRS this amount is estimated when the sale occurs and recognized as a provision. The transaction price is reduced accordingly.

**D:** The IFRS adjustment of USD 228 thousands reflects the recognition of deferred tax asset related to the IFRS adjustment described under "C" above.

**E:** The IFRS adjustment of USD 810 thousands reflects the effect on equity related to the IFRS adjustment described under "C" above.

**IFRS adjustments to profit or loss for 2020:**

**A:** The IFRS adjustment of USD 3,578 thousands reflects the recognized right-of use asset less depreciation for the year related to leasing of office space.

**B:** The IFRS adjustments of USD 3,243 thousands and USD 473 thousands reflect the non-current and current portion of the lease liability recognized for leasing of office space under IFRS 16.

**C:** Prior to conversion to IFRS, goodwill was amortized. The IFRS adjustment of USD 221 thousands consists of reversal of previously recognized goodwill as goodwill is not amortized under IFRS, but rather tested for impairment annually.

**D:** The IFRS adjustment of USD 265 thousands in deferred tax assets consists of the income tax effect of the IFRS adjustment related to IFRS 16 and IFRS 15 effects.

**E:** The IFRS adjustment of USD 718 thousands consists of the P&L effect of the years IFRS adjustments in addition to translation differences on the IFRS adjustments and adjustments in the opening balance of equity at the date of transition to IFRS.

**F:** The IFRS adjustment of USD 1,066 thousands reflects adjustments related to accrued consideration payable to a customer. Under IFRS this amount is estimated when the sale occurs and recognized as a provision. The transaction price is reduced accordingly.

**Reconciliation of consolidated statement of profit or loss as of 31 December 2020:**

| Amounts in USD 1,000 | Note | NGAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| Revenues | A | 22,818 | -1,925 | 20,893 |
| Other operating income | | 123 | | 123 |
| **Total revenue and other operating income** | | **22,941** | **-1,925** | **21,016** |
| Cost of goods sold | | 7,576 | | 7,576 |
| Employee benefit expenses | | 9,094 | | 9,094 |
| Other operating expenses | B | 11,510 | -2,377 | 9,132 |
| **Operating profit or loss before depreciation and amortization (EBITDA)** | | **-5,239** | **453** | **-4,786** |
| Depreciation and amortization | C | 509 | 227 | 736 |
| **Operating profit or loss (EBIT)** | | **-5,748** | **226** | **-5,522** |
| Finance income | | 20 | | 20 |
| Finance costs | D | 524 | 149 | 673 |
| **Net financial items** | | **-504** | **-149** | **-653** |
| **Profit (loss) before tax** | | **-6,252** | **77** | **-6,175** |
| Income tax expense | | -2,017 | -27 | -2,044 |
| **Profit (loss) for the year** | | **-4,235** | **104** | **-4,131** |

The Group reported other comprehensive income under IFRS of USD 4,314 thousands. No other comprehensive income has historically been reported under NGAAP as no such statement is required under NGAAP and due to the fact that the accounts were previously presented in NOK.

**IFRS adjustments of consolidated statement of comprehensive income as of 31 December 2020:**

**A:** Under IFRS, consideration payable to a customer is accounted for as a reduction of the transaction price, unless the payment to the customer is in exchange for a distinct good or service and the fair value of the distinct good or service can be reasonably estimated. The IFRS adjustment of USD 1,925 thousands relates to consideration payable to a customer which was previously recognized as OPEX under NGAAP. Under IFRS, this is accounted for as a reduction of revenues.

**B:** The IFRS adjustment of USD 2,377 thousands reflects the reversal of lease expenses for the operating leases of office space (USD 451 thousands), in addition to the reclassification of consideration payable to a customer from OPEX to a reduction in revenue (USD 1,926 thousands).

**C:** The IFRS adjustment of USD 227 thousands reflects the reversal of amortization of goodwill (USD 201 thousands) and the additional depreciation of right-of-use assets for the period for leases recognized under IFRS 16 (USD 428 thousands).

**D:** The IFRS adjustment of USD 149 thousands reflects the interest expense on the IFRS 16 lease liability.

**Reconciliation of statement of cash flows for 2020:**

| Amounts in USD 1,000 | Note | NGAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **Profit (loss) before tax** | | **-6,252** | **77** | **-6,175** |
| *Adjustments to reconcile profit before tax to net cash flows:* | | | | |
| Net financial items | A | 504 | 149 | 653 |
| Depreciation and amortization | B | 509 | 227 | 736 |
| Share-based payment expense | | 460 | | 460 |
| *Working capital adjustments:* | | | | |
| Changes in inventories | | **-1,387** | | **-1,387** |
| Changes in trade and other receivables | | -2,783 | | -2,783 |
| Changes in trade and other payables and contract liabilities | | 2,188 | | 2,188 |
| Changes in provisions | C | 1,872 | 28 | 1,900 |
| Other items | | | | |
| Tax paid | | -4 | | -4 |
| **Net cash flows from operating activities** | | **-4,893** | **481** | **-4,412** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Development expenditures | | -269 | | -269 |
| Purchase of property, plant and equipment | | -404 | | -404 |
| Purchase of shares in subsidiaries, net of cash acquired | | -1,255 | | -1,255 |
| Interest received | | 14 | | 14 |
| **Net cash flow from investing activities** | | **-1,914** | | **-1,914** |
| | | | | |
| **Cash flow from financing activities** | | | | |
| Proceeds from issuance of equity | | 69,162 | | 69,162 |
| Proceeds from sales of own shares | | 184 | | 184 |
| Transaction costs on issue of shares | | -3,641 | | -3,641 |
| Repayment of borrowings | | -177 | | -177 |
| Payments for the principal portion of the lease liability | D | | -302 | -302 |
| Payments for the interest portion of the lease liability | D | | -149 | -149 |
| Interest paid | | -106 | | -106 |
| **Net cash flows from financing activities** | | **65,422** | **-451** | **64 971** |
| | | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **58,614** | **30** | **58,644** |
| Cash and cash equivalents at 1 January | | 5,589 | | 5,589 |
| Net foreign exchange difference | | -1,290 | | -1,290 |
| **Cash and cash equivalents at 31 December** | | **62,913** | **30** | **62,943** |

**IFRS adjustments of consolidated cash flows year ended 31 December 2020:**

**A:** The effect on net financial items of USD 149 thousands reflects the interest expense on the lease liability recognized under IFRS 16.

**B:** The IFRS adjustment of USD 227 thousands reflects the reversal of amortization of goodwill under NGAAP (USD 201 thousands) and the additional depreciation of right-of-use assets for the period for leases recognized under IFRS 16 (USD 428 thousands).

**C:** The IFRS adjustment of USD 28 thousands reflects adjustments related to accrued consideration payable to a customer. Under IFRS this amount is estimated when the sale occurs and recognized as a provision. The transaction price is reduced accordingly.

**D:** The IFRS adjustments represent lease payments of USD 302 thousands and payments for the interest portion of the lease liability of USD 149 thousands.

**Reconciliation of consolidated statement of profit or loss as of 31 December 2021:**
The Group presented its Q4 2021 report according to NGAAP. Below is a comparison of the consolidated NGAAP YTD Q4 2021 P&L figures reported in the interim report and full year 2021 IFRS 2021 figures reported in the annual report.

| Amounts in USD 1,000 | Note | NGAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| Revenues | A | 36,173 | -2,502 | 33,671 |
| Other operating income | | 28 | | 28 |
| **Total revenue and other operating income** | | **36,201** | **-2,502** | **33,699** |
| Cost of goods sold | | 13,041 | | 13,041 |
| Employee benefit expenses | | 15,127 | | 15,127 |
| Other operating expenses | B | 17,359 | -3,793 | 13,566 |
| **Operating profit or loss before depreciation and amortization (EBITDA)** | | **-9,326** | **1,291** | **-8,035** |
| Depreciation and amortization | C | 1,257 | 78 | 1,335 |
| **Operating profit or loss (EBIT)** | | **-10,583** | **1,213** | **-9,371** |
| Finance income | | 323 | | 323 |
| Finance costs | D | 51 | 217 | 268 |
| **Net financial items** | | **272** | **-217** | **55** |
| **Profit (loss) before tax** | | **-10,311** | **996** | **-9,315** |
| Income tax expense | | -2,129 | 74 | -2,055 |
| **Profit (loss) for the year** | | **-8,182** | **922** | **-7,261** |

The Group reported other comprehensive income under IFRS of negative USD 2,352 thousands. No other comprehensive income has historically been reported under NGAAP as no such statement is required under NGAAP and due to the fact that the accounts were previously presented in NOK.

**IFRS adjustments to statement of profit or loss for 2021:**

**A:** Under IFRS, consideration payable to a customer is accounted for as a reduction of the transaction price, unless the payment to the customer is in exchange for a distinct good or service and the fair value of the distinct good or service can be reasonably estimated. The IFRS adjustment of USD 2,502 thousands relates to consideration payable to a customer which was previously recognized as OPEX under NGAAP. Under IFRS, this is accounted for as a reduction of revenues.

**B:** The IFRS adjustment of USD 3,793 thousands reflects the reversal of lease expense for the operating leases of office space (USD 853 thousands), in addition to the reclassification of consideration payable to a customer from OPEX to a reduction in revenue (USD 2,940 thousands).

**C:** The IFRS adjustment of USD 78 thousands reflects the reversal of amortization of goodwill (USD 658 thousands) and the additional depreciation of right-of-use assets for the period for leases recognized under IFRS 16 (USD 736 thousands).

**D:** The IFRS adjustment of USD 217 thousands reflects the interest expense on the IFRS 16 lease liability.

# 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 as at 31 December (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 2021 and 2020 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) | 2021 | 2020 |
|---|---|---|
| MRR December (as per IFRS financial statements) | 239 | 94 |
| **ARR** | **2,866** | **1,132** |

### 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) | 2021 | 2020 |
|---|---|---|
| Revenue | 33,671 | 20,893 |
| **EBITDA** | **-8,035** | **-4,786** |
| **EBITDA margin** | **-24%** | **-23%** |

## 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) | 2021 | 2020 |
|---|---|---|
| Revenue | 33,671 | 20,893 |
| Cost of goods sold | 13,041 | 7,576 |
| **Gross profit** | **20,630** | **13,317** |
| **Gross profit margin** | **61%** | **64%** |


AIRTHINGS

# Airthings ASA

# Parent Company Financials

# Table of Contents

# Income statement

| For the years ended 31 December | | | |
|---|---|---|---|
| **Amounts in NOK 1 000** | **Notes** | **2021** | **2020** |
| Revenues | 2.1, 4.2 | 285 844 | 203 961 |
| Other operating income | 2.2 | 240 | 1 160 |
| **Total revenue and other operating income** | | **286 084** | **205 121** |
| Cost of sales | | 115 694 | 70 154 |
| Employee benefit expenses | 2.3 | 115 418 | 76 022 |
| Other operating expenses | 2.3, 2.4, 4.2 | 134 788 | 101 427 |
| **Operating profit or loss before depreciation & amortisation (EBITDA)** | | **- 79 816** | **- 42 482** |
| Depreciation and amortization | 5.1, 5.3 | 10 411 | 1 996 |
| **Operating profit (loss) / EBIT** | | **- 90 226** | **- 44 478** |
| Finance income | 2.5 | 4 161 | 753 |
| Finance costs | 2.5 | 436 | 4 913 |
| **Net financial items** | | **3 725** | **- 4 160** |
| | | | |
| **Profit (loss) before tax** | | **- 86 501** | **- 48 638** |
| Income tax expense | 2.6 | - 17 805 | - 18 512 |
| **Profit (loss) for the year** | | **- 68 696** | **- 30 126** |

Profit (loss) for the year is proposed allocated as follows:

| | | |
|---|---|---|
| To (from) other equity | - 68 696 | - 30 126 |
| **Total allocated** | **- 68 696** | **- 30 126** |

# Statement of financial position

| Amounts in NOK 1 000 | Notes | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 5.1, 5.2 | 20 758 | 0 |
| Intangible assets | 5.1 | 21 547 | 5 183 |
| Deferred tax asset | 2.6 | 36 938 | 22 057 |
| Property, plant and equipment | 5.3 | 6 270 | 4 486 |
| Investments in subsidiaries | 4.1 | 1 150 | 45 656 |
| Receivables group companies | 4.2 | 46 635 | 23 278 |
| Other non-current assets | 3.2 | 9 484 | 12 304 |
| **Total non-current assets** | | **142 782** | **112 965** |
| | | | |
| **Current assets** | | | |
| Inventories | 3.1 | 94 670 | 37 707 |
| Trade receivables | 3.2 | 83 150 | 56 150 |
| Other receivables | | 14 112 | 14 433 |
| Bank deposits, cash and cash equivalents | 6.1 | 359 968 | 525 358 |
| **Total current assets** | | **551 901** | **633 649** |
| | | | |
| **TOTAL ASSETS** | | **694 683** | **746 614** |

| Amounts in NOK 1 000 | Notes | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 6.3 | 1 718 | 1 706 |
| Treasury shares | | 0 | 0 |
| Share premium | | 713 145 | 711 464 |
| Other capital reserves | | 15 137 | 9 912 |
| Other equity | | - 122 989 | - 51 817 |
| **Total equity** | | **607 012** | **671 265** |
| **Non-current liabilites** | | | |
| Non-current provisions | 3.2 | 9 609 | 12 304 |
| **Total non-current liabilites** | | **9 609** | **12 304** |
| **Current liabilities** | | | |
| Interest-bearing liabilites | | 0 | 7 222 |
| Trade payables | | 40 288 | 23 812 |
| Income tax payable | | 0 | 0 |
| Other payables | 3.3 | 8 259 | 7 573 |
| Provisions | 3.3 | 29 516 | 24 437 |
| **Total current liabilities** | | **78 062** | **63 045** |
| **Total liabilities** | | **87 671** | **75 349** |
| **TOTAL EQUITY AND LIABILITIES** | | **694 683** | **746 614** |

*Oslo, March 30, 2022*

**Aksel Lund Svindal**
Chairman of the Board

**Liv Hege Dyrnes**
Board member

**Lars Rahbæk Boilesen**
Board member

**Geir Førre**
Board member

**Emma Tryti**
Board member

**Anlaug Gårdsrud Underdal**
Board member

**Tore Helge Rismyhr**
Board member

**Karin Berg**
Board member

**Øyvind Birkenes**
CEO

# Statement of cash flows

| For the years ended 31 December | | | |
|---|---|---|---|
| **Amounts in NOK 1 000** | **Notes** | **2021** | **2020** |
| **Cash flows from operating activities** | | | |
| **Profit (loss) before tax** | | **- 86 501** | **- 48 638** |
| Depreciation and amortization | 5.1, 5.2, 5.3 | 10 411 | 1 996 |
| Share-based payment expense | | 5 225 | 4 325 |
| *Working capital adjustments:* | | | |
| Changes in inventories | 3.1 | - 56 963 | - 9 663 |
| Changes in trade receivables | | - 27 000 | - 17 344 |
| Changes in trade payable | | 16 475 | 11 885 |
| Changes in other liabilities and receivables | | 36 830 | 6 963 |
| *Other items* | | | |
| Tax paid | | 0 | 0 |
| **Net cash flows from operating activities** | | **- 101 522** | **- 50 477** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets and development expenditures | 5.1, 5.2 | - 45 727 | - 2 528 |
| Purchase of property, plant and equipment | 5.3 | - 3 611 | - 3 141 |
| Purchase of shares in subsidiaries, net of cash acquired | | 0 | - 12 758 |
| Payments on long-term receivables | | 0 | - 16 527 |
| **Net cash flow from investing activities** | | **- 49 339** | **- 34 954** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from issuance of equity | 6.3 | 1 693 | 563 592 |
| Proceeds from sales of own shares | | 0 | 1 732 |
| Repayment of borrowings | | - 16 222 | - 1 667 |
| **Net cash flows from financing activities** | | **- 14 529** | **563 658** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **- 165 390** | **478 227** |
| Cash and cash equivalents at 1 January | | 525 358 | 47 130 |
| **Cash and cash equivalents at 31 December** | | **359 968** | **525 358** |

# Statement of changes in equity

| Amounts in NOK 1 000 | Share capital | Treasury shares | Premium reserve | Other paid-in equity | Other equity | Total equity |
|---|---|---|---|---|---|---|
| **Equity 1 january 2020** | **568** | **- 3** | **91 668** | **5 587** | **1 388** | **99 209** |
| Adjusted opening balance, share-based payment | | | | | 285 | 285 |
| Sale of treasury shares | | 3 | | | 1 732 | 1 735 |
| Capital increase, April | 56 | | 59 944 | | | 59 999 |
| Capital increase, July | 18 | | 27 736 | | | 27 754 |
| Capital increase, August | 21 | | 32 222 | | | 32 244 |
| Capital increase, fund issue | 663 | | - 663 | | | |
| Capital increase, October | 376 | | 499 994 | | | 500 370 |
| Capital increase, November | 3 | | 563 | | | 566 |
| Share based payment | | | | 4 325 | | 4 325 |
| Costs related to capital increase October ** | | | | | - 34 688 | - 34 688 |
| Stabilisation mechanism *** | | | | | 9 591 | 9 591 |
| Result for the year | | | | | - 30 126 | - 30 126 |
| **Equity 31 December 2020** | **1 706** | **0** | **711 464** | **9 912** | **-51 817** | **671 265** |
| | | | | | | |
| **Equity 1 January 2021** | **1 706** | **0** | **711 464** | **9 912** | **- 51 817** | **671 265** |
| Capital increase February | 5 | | 513 | | | 519 |
| Capital increase May | 1 | | 143 | | | 145 |
| Capital increase August | 3 | | 283 | | | 286 |
| Capital increase November | 3 | | 742 | | | 745 |
| Merger Airtight AS **** | | | | | - 2 475 | - 2 475 |
| Share based payment | | | | 5 225 | | 5 225 |
| Result for the year | | | | | - 68 696 | - 68 696 |
| **Equity 31 December 2021** | **1 718** | **0** | **713 145** | **15 137** | **- 122 989** | **607 012** |

* In comparable financial figures for 2019, reclassification have been made between Other paid-in Equity and Other Equity of NOK 5 587 thousands related to share based payment. The reclassification have been implemented in the opening balance per 1 January 2020.

** On October 30, 2020, Airthings completed a private placement and subsequent listing on Merkur Market (now Euronext Growth). Shares outstanding prior to and after the transaction were 132 667 280 and 170 306 237, respectively, representing an increase of 28% or 37 037 037 shares. Price per share was NOK 13.5.

*** Proceeds from over-allotment in conjunction with the IPO. The Company was not a direct party or participant in either the stabilization agreement or the option in any other way than accepting the event and agreeing on receiving a share of the proceeds related to any short-sale gain.

**** Parent-/subsidiary merger with Airtight AS according to the simplified rules for intra-group mergers as set out in Section 13-24 of the Norwegian Public Limited Companies Act.

# Section 1 – General information and accounting policies to the parent company financial statement

### 1.1 Corporate information

Airthings ASA ("the Company") is a publicly listed company on Euronext Growth, with the ticker symbol AIRX. Airthings ASA was admitted to trading on Euronext Growth on 30 October 2020. Airthings ASA is incorporated and domiciled in Norway. The Company's principal offices are located at Wergelandsveien 7, 0167 Oslo, Norway.

The Company´s financial statements for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 30 March 2022.

Airthings has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

The Company, as used in these financial statements, is the Parent Company under the Consolidated Financial Statements also included in this Annual Report.

### 1.2 Basis of preparation

Airthings financial statements have been prepared in accordance with Norwegian Accounting Act and generally accepted accounting principles (NGAAP). The functional and presentation currency of the parent company is Norwegian krone ("NOK").

### Going Concern

The annual accounts have been prepared based on the going concern assumption in accordance with section 3-3a of the Norwegian Accounting Act. This is based on the Group's plans, budgets and level of activity going forward.

### 1.3 General accounting principles

Airthings has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgmental considerations are disclosed in the notes to which the policies relate. A summary of the Company's general accounting are presented below:

### Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method.

## 1.4 Significant accounting judgements, estimates and assumptions

The preparation of accounts in accordance with the Accounting Act requires the use of estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in the notes.

## 1.5 Revenue

Income from sale of goods and services are recognized at fair value, net after deduction of VAT, returns, discounts and reductions.

### Revenue from sale of goods

Revenue from sale of goods are recognized in the income statement when both risk and control have passed on to the buyer. The risk being the asset's profit and loss potential, whilst control is defined as having both the decision-making rights as well as the jurisdiction. Normally this will be when the goods are delivered to the customer. Historical data is applied to estimate and make provisions for quantity discount and returns at the date of sales.

### Revenue from sale of software as a service (SaaS)

The Company also has revenue from license fees, which are SaaS contracts consisting of a software licensing model where software is licensed on a subscription basis and centralized on Airthings platform. Revenue from SaaS arrangements, where the customer cannot take possession of the software license and where the software license cannot be separated from its related hosting services are considered as "right to access" licenses and revenue is recognized over time (i.e. the subscription period).

## 1.6 Share-based payments

Airthings has a share-based payment program where all employees are granted share options when they commence in their position.

### Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (the Black-Scholes-Merton Model).

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions.

Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## 1.7 Pensions

The Company has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

The scheme is a defined contribution plan. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

## 1.8 Goodwill

Recognized goodwill in the Company us derived from the merger with Airtight in 2021. Goodwill is depreciated over five years. In addition, goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

## 1.9 Intangible assets

Expenditure on own Research and Development are expensed as and when they incur.

Expenses for other intangible assets are reflected in the balance sheet providing a future financial benefit relating to the development of an identifiable intangible asset can be identified and the cost can be measured reliably. Otherwise, such expenditure is expensed as and when incurred. Capitalised development costs are amortized linearly over the asset's expected useful life.

## 1.10 Fixed assets

Property, plant and equipment ("PP&E") are capitalised and depreciated linearly down to the residual value over the expected useful economic life of the assets. When the depreciation plan is changed, the effect is distributed over the remaining depreciation period. Maintenance of operating equipment is expensed on an ongoing basis. Upgrades or improvements are added to the acquisition cost of the asset and depreciated in line with the asset. The difference between maintenance and upgrade / improvement is assessed based on the condition of the asset when purchased. Plots and land are not depreciated.

Costs related to leases of fixed assets are expensed over the lease period. Prepayments are reflected in the balance sheet as a prepaid expense, and are distributed over the rental period.

## 1.11 Impairment of intangible- and fixed assets

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent ingoing cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and the value in use (net present value of future use/ ownership), the asset is written down to the highest of fair value less cost to sell and the value in use.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

## 1.12 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Components: purchase cost on a first-in/ first-out basis (FIFO)
- Finished goods: cost of direct materials, direct wages, packaging and a proportion of manufacturing overheads based on the normal operating capacity

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 1.13 Investments in Subsidiaries

Investments in subsidiaries are valued at cost in the Company's financial statements. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with the generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

## 1.14 Receivables

Trade receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables. Additionally, for accounts receivables, an unspecified provision is made to cover expected losses.

## 1.15 Income taxes

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax*

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities have been recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax losses can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

## 1.16 Provisions

Provision for warranties and service work for completed projects /sales is recorded at the expected cost of such work. The estimate is based on historical figures for service and warranty repairs. The amount is recorded under other current liabilities and is recognized in the income statement on a straight-line basis over the warranty and service period.

## 1.17 Foreign currencies

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary assets, receivables and liabilities are translated at the exchange rate on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period. Foreign currency gains or losses are reported as foreign exchange gain or foreign exchange loss in finance income or finance costs.

# Section 2 – Profit or loss items

## 2.1 Revenue

| Revenue (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Revenues from sale of goods (hardware) | 277 458 | 201 673 |
| Revenues from services performed (software) | 8 385 | 2 288 |
| **Total** | **285 844** | **203 961** |

| Geographical distribution (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| EMEA | 78 738 | 49 167 |
| North America (USA and Canada) | 207 105 | 154 793 |
| **Total** | **285 844** | **203 961** |

## 2.1 Other operating income

### Grants

Airthings ASA has in 2021 and 2020 received funding from Innovation Norway in addition to tax refunds (Skattefunn) which both are classified as operating grants. Operating grants are accounted for at the same time as the costs they are intended to cover.

Tax refunds are accounted for as a cost reduction. The grant from Innovation Norway is presented as other revenue.

The Skattefunn grant is presented as a short term receivable of NOK 4.75 million  in the balance sheet and as a reduction of R&D cost, respectively as reduced employee cost and other operating cost.

| Grants reported as other revenue (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Innovation Norway | 240 | 1 160 |
| **Total** | **240** | **1 160** |

Airthings, through the merger with Airtight,  was in 2018 granted EUR 1.72 million through EU's Horizon 2020 program. The grant was 70% investment funding of a total project cost of EUR 2.45 million for the period 1 August 2018 to 31 July 2020.

The grant was later extended with 1 year to 31 July 2021. The grant is reported as a reduction in intangible assets.

## 2.3 Employee benefit expenses, remuneration to Coroporate Management, Board of Directors and Auditors

| Salaries and personnel expenses (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Salaries/wages | 93 845 | 62 895 |
| Non-cash share based payment | 4 757 | 3 962 |
| Social security fees | 13 562 | 9 193 |
| Pension expenses | 3 725 | 2 390 |
| Other benefits | 3 235 | 1 523 |
| Skattefunn | - 2 375 | - 3 941 |
| Capitilized personel cost | - 1 332 | |
| **Total** | **115 418** | **76 022** |
| | | |
| **Average numbers of full-time equivalents** | **96** | **65** |

### Pension obligations

Airthings ASA has a pension scheme that meets the requirements set out in the Obligatory occupational pension Act.

At 31 December 2021, Airthings ASA's pension scheme had 93 members. The cost of pension is specified in the above table.

### Share-based payment

For information about share-based payment plans, see note 6.8 to the consolidation financial statments.

### Remuneration of Corporate Management and Board of Directors

Information about remuneration of the Board of Directors and the executive management is included in note 7.1 to the consolidation financial statements. For information about share-based payment plans, see note 6.8 to the consolidation financial statements.

| Remuneration of auditors (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Statutory audit | 888 | 292 |
| Tax advisory and other services | 386 | 234 |
| **Total remuneration to auditors** | **1 274** | **525** |

## 2.4 Other operating expenses

### Lease

| Lease object (NOK 1 000) | Expiration of agreement | Annual lease |
| --- | --- | --- |
| Office space in Oslo | 31.05.2027 | 7 094 |
| Office space in Bergen | 30.06.2026 | 216 |
| Lease of office equipment | 31.11.2022 | 8 |
| **Total** | | **7 318** |

## 2.5 Finance income and cost

| Finance income (NOK 1 000) | Notes | 2021 | 2020 |
| --- | --- | --- | --- |
| Interest income from group entities | 4.2 | 1 171 | 587 |
| Other interest income | | 875 | 166 |
| Profit on foreign exchange | | 2 114 | |
| **Total finance income** | | **4 161** | **753** |

| Finance costs (NOK 1 000) | 2021 | 2020 |
| --- | --- | --- |
| Other interest expenses | 120 | 1 006 |
| Other financial expenses | 316 | |
| Loss on foreign exchange | | 3 907 |
| **Total finance costs** | **436** | **4 913** |

| Foreign exchange (NOK 1 000) | 2021 | 2020 |
| --- | --- | --- |
| Foreign exchange gain | 17 239 | 16 042 |
| Foreign exchange loss | 15 125 | 19 949 |
| **Net foreign exchange gain (loss)** | **2 114** | **- 3 907** |

## 2.6 Income tax

| This year's tax expense (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| *Entered tax on ordinary profit/loss:* | | |
| Payable tax | | - 356 |
| Prior period adjustment | - 22 | |
| Change in deferred tax asssets | - 17 783 | - 18 156 |
| **Tax expense on ordinary profit/loss** | **- 17 805** | **- 18 512** |

| Taxable income (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Ordinary result before tax | - 86 501 | - 48 638 |
| Permanent differences | 9 | - 35 508 |
| Change in temporary differences | 7 964 | 199 |
| **Taxable income** | **- 78 529** | **- 83 947** |

| Payable tax in the balance (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Payable tax on this years's result | | |
| Tax on reversed losses | | - 356 |
| **Total payable tax in the balance** | **0** | **- 356** |

The tax effect of temporary differences and loss carried forward that has formed the basis for deferred tax and deferred tax assets, specified on types of temporary differences.

| Temporary differences (NOK 1 000) | 2021 | 2020 | Difference |
|---|---|---|---|
| Tangible assets | 32 474 | 39 781 | 7 307 |
| Inventory | | - 225 | - 225 |
| Receivables | - 882 | | 882 |
| **Total** | **31 592** | **39 556** | **7 964** |
| | | | |
| Accumulated loss to be carried forward | - 178 735 | - 100 206 | 78 529 |
| Tax effects as part of merger | 20 758 | 26 419 | 5 661 |
| Basis for deferred tax assets | - 167 900 | - 87 069 | 80 831 |
| **Deferred tax assets (22%)** | **- 36 938** | **- 19 155** | **17 783** |

# Section 3 – Balance sheet items

### 3.1 Inventories

| Inventory (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Finished goods | 64 635 | 37 707 |
| Components | 30 035 | |
| **Acquisition cost 31 December** | **94 670** | **37 707** |
| Inventories valued at purchase cost | 94 670 | 37 932 |
| Inventories valued at net realisable value | 94 670 | 37 707 |
| **Write-down for obsolescence** | **0** | **225** |

The increase in inventories in 2021 is a result of increased components prices coupled with a strategy of securing supply in a pressed semi-conductor market. There were no write-downs of finished goods or components in 2021 (2020: NOK 225 thousands). There were no reversal of write-down of components or finished goods in the periods presented.

### 3.2 Trade receivables, receivables, pledged assets guarantees etc.

| Debtors which fall due later than one year after the expiry of the financial year (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Inter company loans | 46 635 | 23 278 |
| Employers provisions related to share based compensation | 9 484 | 12 304 |
| Other receivables to employees | | 27 |
| **Total** | **56 119** | **35 609** |

| Debt secured by collateral (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Short-term debt secured by collateral | | 16 222 |
| **Total** | **0** | **16 222** |

| Book value of pledged assets (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Equipment, fixtures and fittings and other movables | 6 270 | 4 077 |
| Inventories | 94 670 | 37 707 |
| Trade receivables | 83 150 | 56 150 |
| **Total** | **184 090** | **97 934** |

| Pledged amount (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Pledge on inventories | 10 000 | 19 000 |
| Pledge on operating assets | 10 000 | 19 000 |
| Pledge on accounts receivables | 10 000 | 19 000 |
| **Total** | **30 000** | **57 000** |

### 3.2 Trade receivables, receivables, pledged assets and guarantees etc.

| Other payables (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Public duty payable | 8 259 | 7 573 |
| **Total** | **8 259** | **7 573** |

| Provisions (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Loan Innovation Norway | | 9 000 |
| Wages and holiday pay (included tax) | 13 239 | 10 854 |
| Other provisions | 8 389 | 982 |
| Accrued revenue | 7 888 | 3 601 |
| **Total** | **29 516** | **24 437** |

| | | |
|---|---|---|
| **Total other payables and provisions** | **37 774** | **32 010** |

# Section 4 - Related parties

### 4.1 Subsidiaries

Investments in subsidiaries are booked according to the cost method.

| Company | Location | Ownership/ voting rights | Currency | Equity per 1.1. | Annual net profit/loss | Equity per 31.12. |
|---|---|---|---|---|---|---|
| Airthings America INC | USA | 100 % | USD | - 573 268 | 85 206 | - 488 063 |
| Airthings AB | Sweden | 100 % | SEK | 0 | 267 942 | 292 942 |

| Book value of investment in balance sheet of Airthings ASA | Amount (NOK 1 000) |
|---|---|
| Airthings America INC | 975 |
| Airthings AB | 176 |
| **Total** | **1 150** |

### 4.2 Related parties

| Receivables on subsidiary Airthings America INC (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Long term loan to Airthings America INC | 44 937 | 23 278 |
| Long term loan to Arthings AB | 1 698 | |

| Transactions with subsidiary Airthings America INC (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Sale of goods to Airthings America INC | 53 750 | 34 398 |
| Sale of goods to Airthings AB | 3 984 | |
| Purchase of services and cost allocation from Arthings America INC | 4 344 | 1 093 |
| Purchase of services and cost allocation from Arthings AB | 3 796 | |
| Loan interest Arthings America INC | 1 125 | 587 |
| Loan interest Arthings AB | 47 | |

| Transactions with shareholders (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Commissions and accrued cost invoiced from Rn222 INC | 8 038 | 7 549 |
| Sale of goods to Rn222 Inc | 51 387 | 20 095 |
| Rent of premises from Energy Control AS | 192 | 118 |
| Sale of goods to Energy Control AS | 966 | 79 |
| Fees invoiced from Firda AS | 502 | |
| Fees invoiced from Rabakken Invest AS | | 516 |

# Section 5 - Fixed assets

### 5.1 Intangible assets

| (NOK 1 000) | Goodwill | Software and systems | Technology | Total |
|---|---|---|---|---|
| **Acquisition cost as at 1 January 2021** | | **6 271** | | **6 271** |
| Additions through business combinations * | 26 419 | | 14 712 | 41 131 |
| Additions | | 3 273 | 1 323 | 4 596 |
| **Acquisition cost as at 31 December 2021** | **26 419** | **9 544** | **16 036** | **51 998** |
| Accumulated depreciations 31 December 2021 | 5 661 | 2 522 | 1 510 | 9 693 |
| **Net book value as at 31 December 2021** | **20 758** | **7 022** | **14 526** | **42 305** |
| Depreciation in the year | 5 661 | 1 435 | 1 510 | 8 606 |
| Depreciation rate (%) | 20 % | 20 % | 10 % | |
| Depreciation plan | Linear | Linear | Linear | |
| Econmic useful life | 5 Years | 5 Years | 10 Years | |

* Please see note 4.2 in consolidated statment

### 5.2 Business combinations

On 7 July 2021 Airthings ASA merged with its subsidiary Airtight AS, a software company that has developed patented technology to reduce energy waste from commercial buildings. The merger between the wholly-owned subsidiary and the parent company was contemplated to simplify the corporate structure of the Group. For accounting and tax purposes, the effective date of the merger was 1 January 2021. Airthings AS originally became a subsidiary of Airthings ASA in August 2020.

As Airtight AS was 100% owned by Airthings ASA, the vertical merger was carried out without payment of any consideration, according to the Public Limited Liability Companies Act. The merger was accounted for according to the guidance in section 6 of the Norwegian Accounting Standard 9 (NRS 9) concerning mergers, which implies use of the group continuity method. As such, on the effective date of the merger, all assets and liabilities in Airtight AS was continued into Airthings ASA's separate financial statements at the book values used in the consolidated financial statements of Airthings ASA. Airtight AS was simultaneously dissolved.

For tax purposes, the merger was implemented with full tax continuity, in accordance with Chapter 11 of the Taxation Act.

The table below illustrates the balance sheet of Airtight AS as at the effective date of the merger (1 January 2021) and represents the book values that were merged into Airthings ASA:

| Amounts in (NOK 1 000) | 1.1.2021 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Intangible assets | 1 469 |
| Property, plant and equipment | 139 |
| Other non-current assets | 265 |
| **Total non-current assets** | **1 873** |
| **Current assets** | |
| Other receivables | 2 997 |
| Cash and cash equivalents | 2 341 |
| **Total current assets** | **5 338** |
| **TOTAL ASSETS** | **7 211** |
| **EQUITY AND LIABILITIES** | |
| **Equity** | |
| Other equity | 5 788 |
| **Total equity** | **5 788** |
| **Current liabilities** | |
| Trade and other payables | 1 423 |
| **Total current liabilities** | **1 423** |
| **Total liabilities** | **1 423** |
| **TOTAL EQUITY AND LIABILITIES** | **7 211** |

As the merger was accounted for according to the method of group continuity, in addition to the assets and liabilities presented above, NOK 13.2 million of excess values related to technology and NOK 26.4 million related to Goodwill were transferred from the consolidated financial statements to the separate financial statements of Airthings ASA as at the effective date of the merger. The effect on equity on the separate financial statements of Airthings ASA was NOK - 2.5 million, which represents the difference between the book value of shares in Airthings previously recognized and net book value of Airtight's assets and liabilities in the consolidated financial statements of Airthings ASA.

## 5.3 Property plant and equipment

| (NOK 1 000) | Property, plant and equipment | Total |
|---|---|---|
| **Acquisition cost as at 1 January** | **6 374** | **6 374** |
| Additions | 3 998 | 3 998 |
| **Acquisition cost as at 31 December 2021** | **10 372** | **10 372** |
| Accumulated depreciations 31 December 2021 | 4 102 | 4 102 |
| **Net book value as at 31 December 2021** | **6 270** | **6 270** |
| | | |
| Depreciation in the year | 1 805 | 1 805 |
| | | |
| Depreciation rate (%) | 20 % | |
| Depreciation plan | Linear | |
| Econmic useful life | 5 years | |

# Section 6 - Financial instruments and equity

## 6.1 Restricted cash

| Restricted funds deposited in the tax deduction account (NOK 1 000) | 2021 | 2020 |
|---|---|---|
| Restricted tax deductions | 4 579 | 4 267 |
| Restricted cash | 5 667 | 3 958 |
| Other restricted funds | 1 400 | 1 400 |

Other restricted funds is a guarantee related to a credit agreement with DNB Mastercard.

## 6.2 Financial risk management

### Overview

The parent company is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Company seeks to minimize potential adverse effects of such risks through sound business practice, risk management and hedging.

Risk management is a continuous process and an integrated part of the Company's business. When operating across multiple markets, Airthings is exposed to a range of risks that may affect its business. The key risk areas are discussed below.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include interest bearing debt, cash and cash and cash equivalents, trade receivables, lease liabilities and trade and other payables.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowings have historically been exposed to interest rate fluctuations. As all borrowings were repaid in January 2021, the Company does no longer have any significant interest rate risk related to interest-bearing liabilities.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency fluctuations due to the international nature of its operations. The Company's exposure to the risk of fluctuations in foreign exchange rates relates primarily to the Company's operating activities (revenue and expenses denominated in a foreign currency) and the Company's net investments in foreign subsidiaries. A significant part of revenues is denominated in USD, with a small portion incurred in NOK, EUR and CAD. Most of its operating expenses are incurred in NOK. Further, the Company could also potentially be negatively affected by fluctuations in other currencies in the future. The Company does not currently hedge currency exposure with the use of financial instruments but monitors the net exposure over time.

### Credit risk

Credit risk represents the possibility of a counterparty not meeting its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is mainly exposed to credit risk from its operating activities.

The credit risk is low in the Consumer segment, where most sales are based on upfront or simultaneous payment, and the Company may also seek advance payments to offset risk on trade receivables in the other segments. The Company has close connection with its customers and receivable balances are monitored on an ongoing basis. It is the Company's policy that all customers wishing to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity, and financial position.

The Company's exposure to losses have historically been low. However, the increased operations of the Company outside the US and home markets exposes Airthings to different credit risk environments. The Board of Directors deems credit risk to be at an acceptable level given the current operational circumstances and outlook of the company.

### Liquidity risk

Liquidity represents the risk where the Company may potentially encounter difficulty in meeting obligations associated with financial liabilities that are settled by provision of cash or another financial assets. The Company supervises its risk by monitoring its working capital, and overdue trade receivables. The Company has a strong cash position of NOK 360 million, which the Board of Directors consider sufficient to fund the company's growth strategy towards in long-term revenue targets. The liquidity risk is hence considered to be limited.

## 6.3 Share capital and shareholders information

The share capital of Airthings ASA as of 31 December 2021 was NOK 1,718,164.37 consisting of 171,816,437 ordinary shares at NOK 0.01 per share. The Company's shares have equal voting rights. For information of shareholder see note 6.7 the consolidated financial statements.

# Section 7 - Other disclosures

### 7.1 Events after the reporting period

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

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

# Independent Auditor's Report

## To the General Meeting in Airthings ASA

### Opinion

We have audited the financial statements of Airthings ASA.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, the income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2021, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements comply with applicable statutory requirements.
- The accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2021, and its financial performance and its cash flows for the year then ended ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material

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misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinion on the Board of Director's report**

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Social Responsibility.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Oslo, 30.03.2022
BDO AS

Børre Skisland

Børre Skisland
State Authorised Public Accountant


AIRTHINGS
Breathe better. Live better.