AIRTHINGS

Annual Report 2022

Key highlights

1

2022 total revenue of
USD 35.4 million
and 59% GPM with improved cost base

2

Total ARR of
USD 3.6 million
up 24% YoY

3

Signed AfB contract worth
USD 4.6 million
for global enterprise customer

4

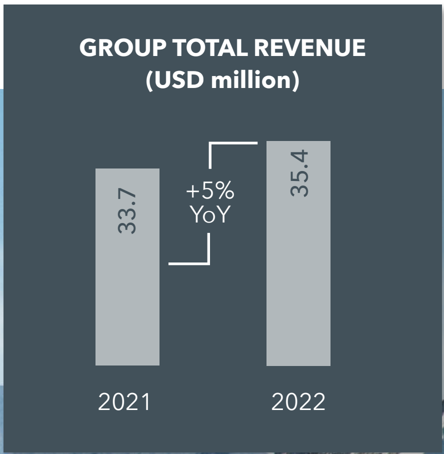
Growing awareness around
Indoor Air Quality (IAQ)
including White House summit in October 2022

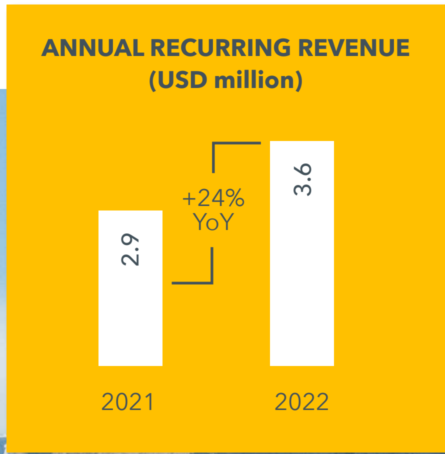
5

Launch of
Energy Efficiency Toolkit
a significant step in helping Airthings for Business user reduce the energy consumption of buildings

6

Released new Consumer app
an enhanced vehicle for adding continuous value adding services to our consumer product portfolio





The year in brief

Airthings ASA reported a 5% growth in revenue in 2022 with the total revenue coming in at USD 35.4 million. Growth was solid across the Airthings for Business segment, with a slight decrease in the Consumer and Pro segments. End-user demand has held up well throughout the year, although the decline reflects channel partners in the consumer segment reducing inventories.

Annual Recurring Revenue (ARR) came in at USD 3.6 million at the end of 2022, representing a growth of 26% from 2021. The growth primarily reflects the strong progress in the Airthings for Business segment – a segment that made a step change from USD 6.9 million in revenues in 2021 to USD 10.3 million in 2022.

Gross profit margin was 59% for the full year, which was a decline from 2021 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 uncertain market outlook, Airthings can look back at several significant highlights throughout 2022: the releases of View Radon and Pollution for consumers, launching Space CO_2 Mini for Airthings for Business, moving to the main list on the Oslo Stock Exchange, launching Airthings in the Australian market, and receiving a Gold rating from EcoVadis. We see significant growth potential for 2023 after building up product stock and look forward to delivering a strong market momentum going forward.

Quarterly highlights

1Q

Airthings added 2 new devices to the View Series at the CES conference, complementing the line with View Radon and View Pollution. The company also received a Silver Sustainability Rating from EcoVadis, putting the company in the top 25% of companies scored.

2Q

Airthings ASA became a publicly listed company on the main list of the Oslo Stock Exchange, moving over from the Euronext Growth trading platform it had been on since October 2020. Both View Radon and View Pollution began shipping to customers, accelerating market traction and marketing activities.

3Q

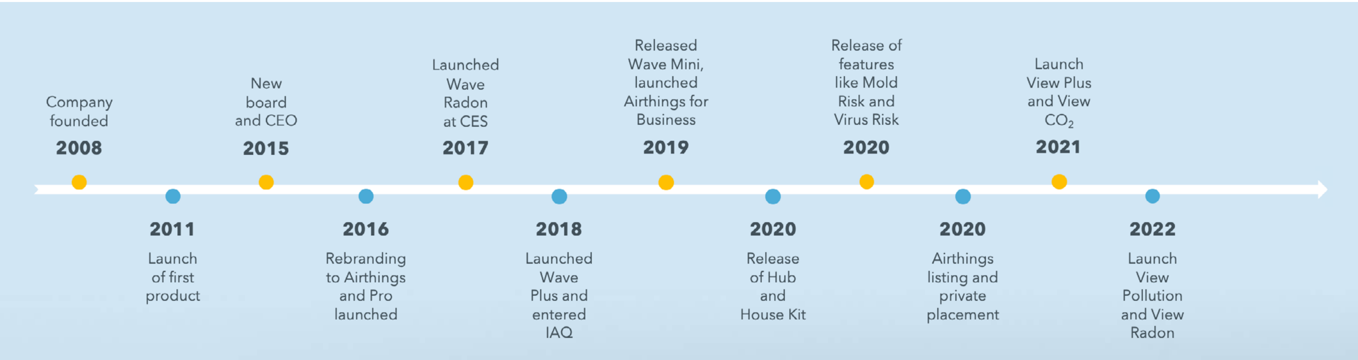
Airthings launched for consumers in the Australian market, further cementing its position as a leader in the global air quality market. Airthings also became the first company to introduce a free 5-year extended warranty for all their indoor air quality monitors for consumers.

4Q

The fourth quarter included the successful launch of the newest monitor from Airthings for Business, Space CO_2 Mini, with an impressive 10+ years of battery life. Airthings teamed up with ventilation company Lindab in Norway to develop a solution to optimize buildings. Lastly, EcoVadis upgraded the sustainability rating they gave Airthings to a Gold Medal, moving Airthings into the top 5% of companies scored globally.

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 an industry leader in the global indoor air quality market in their 2021 Global Indoor Air Quality Systems report and EcoVadis awarded Airthings a Gold Medal in their Sustainability Rating. 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 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 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 also has strong relations with leading B2B partners and

strengthened its position in the business market with the collaboration with Lindab in Norway, a leader in the ventilation market, to develop a solution to optimize buildings.

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 for true leadership in the industry.

Business overview

Airthings is a hardware-enabled software company developing innovative products and systems for monitoring indoor air quality, radon, and energy efficiency. Airthings' continuing goal is to be a global leader in these areas. Airthings sells to the 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 combines a range of top-of-the-line air quality monitors with software solutions to enable anyone striving to create and maintain a healthy home environment. In 2022, revenue in this segment came in at USD 23.0 million, a decrease of 2% compared to 2021. The largest market is currently in the US. Airthings' strategy is to expand our global presence via our own webshop and through selected e-commerce partners and retailers worldwide.

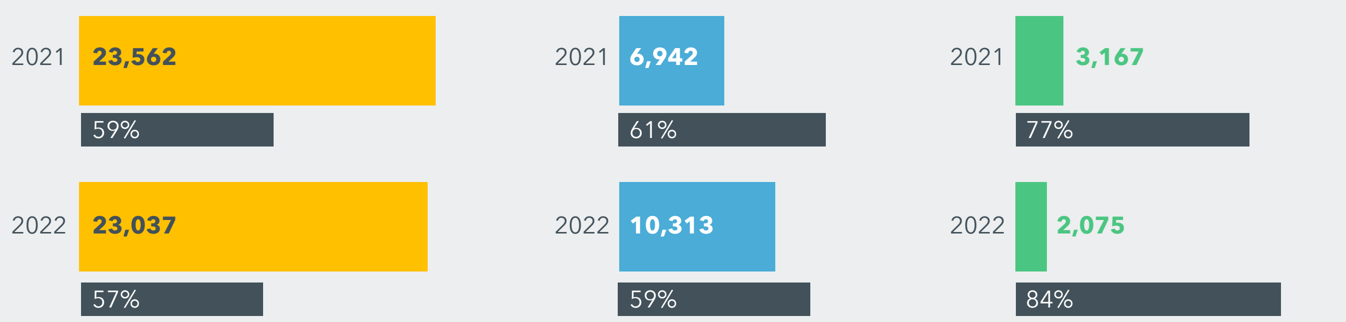
Airthings for Business (AfB)

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 2022 reached USD 10.3 million, an increase of 49% over 2021. 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 well-being.

Airthings for Professionals (Pro)

Airthings for Professionals provides an NRPP/NRSB–certified radon measurement device tailored to home inspectors and professionals. Measurement professionals enjoy an easy-to-use application and a dashboard to organize their business. Airthings offers devices, calibration services, leasing options, and an Affiliate Program for its users. Our Pro segment decreased by 35% compared to 2021, totaling USD 2.1 million in revenue.

2022 revenue and gross profit margin (USD 1,000)



Letter from the CEO

Dear Airthings Community,

2022 was a challenging year in many ways, with consumers and businesses around the world being impacted by high inflation, higher interest rates, soaring energy prices, and a more uncertain geopolitical outlook with the devasting war in the Ukraine. As a result, we at Airthings experienced slower growth, with our channel partners responding to higher uncertainty by reducing their inventories.

On the positive side, our sell-through of consumer products to end-customers continued to see strong growth also in 2022 with a 23% increase, and revenue in the Airthings for Business segment grew by almost 50%. Our value proposition remains solid, as the importance of healthy air and energy-efficient buildings is becoming even more apparent both to consumers, businesses, and public authorities.

Airthings is a purpose-driven company that cares about making a difference for our people, and our planet. Our purpose is 'Empowering the World to Breathe Better', and we have continued our work to increase global air quality awareness and promote Airthings as the best solution to ensure that people everywhere breathe cleaner air with less energy consumption. Last year we had more than 3 million unique web sessions on airthings.com.

We continue full steam ahead on our sustainability journey, and by gaining a deeper understanding of our impact we are both able to help our customers make sustainable decisions and to improve our practices significantly. We continue to uphold our commitment to the UN Sustainable Development Goals (SDGs) and the seven SDGs we have prioritized; climate action, decent work and economic growth, sustainable cities and communities, responsible consumption and production, reduced inequalities, good health and well-being, and quality education. We are really making progress towards some of these goals, and as one example I can proudly say that we are now monitoring the air for almost 500,000 children in classrooms around the world.

Buildings account for around 40% of global energy consumption[1], and together with our Airthings for Business partners we create smart insights to help facility managers and building owners operate their buildings more efficiently and sustainably. We make their job easier by enabling proactive facility management instead of reactive. Our Airthings for Business customers can see and solve problems in their buildings before they are detected by tenants and move away from manual timer-based to demand-based Heating, Ventilation, and Cooling (HVAC). Here in Norway, more than 70 different Norwegian municipalities are now using our solutions to manage their buildings, and we also continue to grow internationally. We signed our largest ever Airthings for Business contract of close to USD 5 million with an undisclosed global enterprise customer last year. Around 80% of the buildings that will exist in 2050 have already been built[2], and we see a tremendous opportunity in making existing buildings smarter through easily understandable and accessible data from smart sensors. This will both reduce energy waste and global GHG emissions and provide healthier indoor environments for the people

[1] https://c2e2.unepdtu.org/wp-content/uploads/sites/2/2016/11/gabc-global-status-report.pdf
[2] https://www.weforum.org/agenda/2022/11/net-zero-cities-retrofit-older-buildings-cop27/

living, working, or studying in these buildings. Our new and innovative Energy Efficiency Toolkit is a key component in the energy optimization offering in Airthings for Business, and we will continue to develop and improve this toolkit to add more and more value for our customers.

Our products in the Airthings for Business solutions have delivered incredible results, with customers experiencing energy savings of more than 20%. Our customers have also saved about 5,000 tons of CO_2 equivalents since 2021.

We also help homeowners visualize what is in the air they breathe and enable them to reduce their exposure to indoor air pollutants. Interviews, feedback, and insights have revealed that most of our customers are improving their air quality by bringing in more ventilation, installing radon mitigation systems, and deploying air purifiers, humidifiers, or dehumidifiers. Airthings' products hence allow consumers to make small changes around their home and instantly see that it is working.

Airthings is also working to 'clean our own house' and have incorporated sustainability into our day-to-day operations. We have defined circular principles that we follow for all new product development, ensuring that all our new devices are designed, sourced, and manufactured responsibly. As an example, this optimized process has been used in the production of our newest product, the Space CO_2 Mini, which has the lowest manufacturing environmental impact among all our products and a battery lifetime of more than 10 years. To underline the quality and longevity of our products we last year introduced a 5-year extended warranty for all our consumer devices, and we will continue our work to optimize all future products for the benefit of both our customers and the environment.

I am glad and proud to see that our efforts are being recognized. In February 2022 we received a Silver sustainability rating from the renowned rating agency EcoVadis, and this has now been upgraded to a Gold rating. This places us among the top 5% of all companies evaluated.

As the CEO of Airthings, I speak for all of us when I say we remain fully committed to the UN Sustainable Development Goals (SDGs), and we strongly believe that our solutions have the potential to improve many of the environmental and societal challenges we face. We commit to continually improving the integration of the UN Global Compact and its principles into our business strategy, culture, and daily operations. We also commit to sharing this with our stakeholders. At Airthings we believe a sustainable business is a good business.

Airthings' long-term outlook is supported by lasting factors and megatrends and is becoming a global leader in air quality monitoring and energy-saving solutions. Airthings will continue to focus on creating solutions for people, for homes and for buildings around the world, making homes and buildings smarter, healthier, and more energy efficient. With our highly differentiated products and a scalable business model within health, wellness, and sustainability, there is an enormous market opportunity over the coming years.

Rounding off, I would like to take this opportunity to thank our team of highly skilled and passionate employees for the hard work they have put in over the last year to enable this list of accomplishments. Over the past year we have welcomed many new members to the Airthings family, and I look forward to working together with you all in the years to come.

All the best,

Øyvind Birkenes
CEO, Airthings

Board of Directors Report

Airthings is a hardware-enabled software company developing, marketing, and offering innovative products and systems for monitoring indoor air quality, radon, and optimizing energy consumption. The company aims to be the global leader in these areas. The company sells to the consumer market, the commercial business and public 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 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 conducted a transition to the main Oslo Stock Exchange in June 2022.

Airthings is a global provider of indoor air quality solutions, with the key markets of the US and Europe representing 71% (71%) and 29% (29%) of revenue in 2022, 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 largest 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.

Airthings began as a company focused on the consumer market. With the launch of Airthings for Business in 2019, however, the company opened new market opportunities and strengthened its business model. In addition to hardware sales, revenues for Airthings for Business are composed of high-margin recurring revenues through a Software-as-a-Service model. Airthings for Business saw continued robust growth in 2022, with recurring revenue increasing as a share of total revenue.

Key developments and future focus

Overall, 2022 represented a difficult year for Airthings with a combination of several macro headwinds demonstrating the importance of a heightened focus on execution and discipline going forward. While external factors such as inflation and rising interest rates, and the corresponding effect they had on demand, are beyond the company's control, it also exposed a need for better planning and capital allocation to avoid future situations like the buildup in inventories witnessed over the course of the year. Optimizing business operations, reducing inventories, and improving the cash position are key focus areas for 2023 and beyond. Succeeding with these focus areas should return Airthings to its long-term profitable growth trajectory.

Events after the reporting period

RCF – Airthings announced a USD 8 million revolving credit facility (RCF) with Danske Bank on 23 January 2023. The RCF will support Airthings's growth ambitions across both the Consumer and Airthings for Business (AfB) segments. The new financing agreement has been entered on favorable commercial terms for a one-year period with annual renewal.

Share capital increase – Airthings announced the successful completion of a private placement raising NOK 75 million in gross proceeds on 13 February 2023 and which was approved by an extraordinary general meeting on 8 March 2023. The net proceeds from the raise will be used to strengthen the company's financial and liquidity position.

Financial summary

The consolidated financial statements of the Airthings Group ("the Group") are presented under the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). The presentation currency of the Group's IFRS figures is USD. The functional currency of the parent company is NOK.

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 2022, despite a challenging macroeconomic environment. Strong growth in Airthings for Business offset softness in both the Consumer and Pro segments.

Income statement

Revenues in 2022 amounted to USD 35.4 million, up 5% compared with USD 33.7 million in 2021. Gross profit grew by 1.5% in the period, reaching USD 21.0 million for 2022. The gross margin for the full year 2022 came in at 59%. This compares with 61% in 2021, with the decrease mainly attributed to changes in the product and channel mix in the Consumer segment, higher component prices, and a modest inventory impairment in the Airthings for Business segment related to the 2020 acquisition of Airtight. EBIT decreased from a loss of USD 9.4 million in 2021 to a loss of USD 14.7 million in 2022. This reflects macroeconomic pressures restraining topline growth and a number of one-off costs including the transition to the main Oslo Stock Exchange and restructuring costs. Depreciation held mostly constant, coming in at USD 1.4 million in 2022 compared to USD 1.3 million in the prior year. In addition, a USD 1.5 million impairment of technology was taken in relation to the 2020 acquisition of Airtight.

Net financial items contributed a positive USD 1.0 million in 2022, compared with a positive USD 0.1 million in 2021. The company had no interest-bearing debt in 2022, and the net financial items thus consist primarily of exchange rate fluctuations between USD and NOK. Net loss before taxes was USD 13.7 million in 2022, compared to a net loss before taxes of USD 9.3 million in 2021. Tax income was USD 3.1 million. This generated a net loss of USD 10.6 million which compares to a net loss of USD 7.3 million in 2021.

Balance sheet

Airthings Group had total assets of USD 63.7 million at the end of 2022, down from USD 83.7 million at the end of 2021. Current assets amounted to USD 47.2 million, including cash and cash equivalents of USD 13.3 million and inventories of USD 18.7 million. Non-current assets amounted to USD 16.5 million, which mainly comprises right of use assets, deferred tax assets, and remaining goodwill related to the Airtight acquisition in 2020.

Airthings Group had total liabilities of USD 12.8 million per December 31, 2022, down from USD 15.8 million at the end of 2021. Total liabilities consist primarily of lease liabilities, trade payables, contract liabilities, and other provisions. In 2022, Airthings Group increased its share capital by NOK 21 759.09 to NOK 1 739 923.46 allocated across 173 992 346 shares, each with a nominal value of NOK 0.01. The increase was driven by a share issuance in connection with the employee option program.

As of 31 December 2022, total equity amounted to USD 50.9 million, corresponding to an equity ratio of 80%. This compares to total equity of USD 67.8 million and an equity ratio of 81% in 2021.

Cash flow statement

Airthings Group's cash flow from operating activities was negative USD 22.2 million in 2022, down from negative USD 15.9 million in 2021. This was driven by losses before tax of negative USD 13.7 million as well as a USD 7.3 million increase in inventories. Both represent key focus areas for improvement going forward.

Total cash flow from investments was USD -2.2 million in 2022, compared to USD -1.0 million in 2021. The main driver in 2022 were investments in development activities of USD 2.1 million. Cash flow from financing was USD -0.5 million in 2022, and was primarily composed of payments on lease liabilities, with a modest offset from the proceeds of equity issuance stemming from employee options. Net foreign exchange differences resulted in a cash flow of USD -3.9 million over 2022.

Cash and cash equivalents hence declined to USD 13.3 million at year-end 2022, down from USD 42.2 million at the end of 2021. The net cash spending reflects headwinds the company faced to top-line growth and a corresponding build up in inventories.

Allocation of net profit

The consolidated accounting loss for 2022 was USD 10.6 million, with the proposed allocation of the net profit for the year shown in the Annual Financial Statement.

PARENT COMPANY ACCOUNTS

(Figures for 2021 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 319.7 million (285.8) and other revenue to NOK 0.0 million (0.2). Gross profit was NOK 177.5 million in 2022 (170.4). Operating expenses amounted to NOK 307.0 million (250.2), and loss before tax was NOK 141.8 million (-86.5). Tax income was NOK 30.3 million in 2022 (17.8), generating a net loss of NOK 111.6 million (-68.7).

Total assets amounted to NOK 585.4 million at year-end 2022 (694.7), whereof current assets

represented NOK 404.1 million (551.9). Total equity was NOK 502.0 million per December 31, 2022 (607.0).

Current liabilities was NOK 82.2 million per year-end 2022 (78), whereas the parent company had long term liabilities of NOK 1.2 million (9.6) related to an employee share option program.

Net cash flow from operating activities was negative NOK 225.5 million (101.5), and net cash flow from investing activities negative NOK 20.9 million (49.3). Net cash flow from financing activities was positive NOK 3.0 million (-14.5). Cash and cash equivalents in the parent company hence declined to NOK 116.5 million per December 31, 2022 (360.0), 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 had a cash position of USD 13 million as of 31 December 2022, which the Board of Directors considered lower than desired to fund the Group's continued operations. As noted above, subsequent to the end of the reporting period the company secured a USD 8 million revolving credit facility and conducted a NOK 75 million capital raise to strengthen its liquidity position. Furthermore, the Group reached an agreement with its primary supplier to push out portions of production from 2023 into 2024, and thus anticipates inventory levels to decline. The liquidity risk is hence considered to be at a reasonable level.

Credit

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 generally low in the Consumer segment, where the vast majority of sales are made to well-established and creditworthy third parties. The credit risk is somewhat higher, but still deemed to be generally low, in the Airthings for Business segment for the same reason. 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. Exceptions to the standard credit terms the Group offers must be approved by the Finance department of Airthings.

The Group's exposure to losses has 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 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 does employ natural hedges, e.g. retaining revenues in USD to make payments to suppliers with USD as the contract currency, to the extent possible and 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 carried no significant interest rate risk in 2022.

Other risks

War in Ukraine – the ongoing war does not currently impact the Group directly, as it has no operating presence in either Russia,Belarus or Ukraine. Indirect effects however, such as financial market volatility, sanctions related knock-on effects, general economic market conditions and other future responses of international governments, might have an impact on the Group's financial results and financial position. The Group's management continues to monitor the situation and has an ongoing assessment of potential impact on the Group's financial results and financial position.

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

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

Airthings is deeply dedicated to sustainability, working continuously to improve its environmental, social, and governance practices. With a clear vision for the future, Airthings has set ambitious sustainability goals for 2026, which it seeks to achieve through a three-dimensional framework focused on the planet, people, and business.

Airthings is a proud member of the UN Global Compact, aligning its business practices with the ten principles aimed at promoting responsible business. The company prioritizes the United Nations Sustainable Development Goals (SDGs), integrating them into all aspects of its operations and prioritizing 7 SDGs where they can have the greatest impact. Airthings focuses on SDG#3 – Good Health & Wellbeing and SDG#13 – Climate Action by reducing the intensity of the company's carbon footprint, while helping its customers optimize energy consumption and air quality in their buildings.

In 2022, Airthings made substantial progress

toward its sustainability goals. The number of Airthings for Business devices in the field has increased from over 24,000 in 2021 to over 55,000 by the end of 2022. Playing a critical role in helping customers to save >4,800 tons of CO_2. At the same time, Airthings has also reached >1 million people through its educational resources.

The Company's ESG management system is rated with a Gold Standard by EcoVadis sustainability rating, demonstrating its commitment to sustainability and its success in implementing initiatives to improve its ESG practices. Its EcoVadis scorecard has improved from 58 in 2021 to 73 in 2022, earning the EcoVadis Gold Medal and scoring higher than 97% of the companies rated within the Electronics and Equipment category.

Through its efforts, Airthings has also launched its first product designed with circular principles, the Space CO_2 Mini, which has a lower overall environmental impact than the rest of the portfolio and a battery life of 10 years or more. This product had a 58% decrease in its carbon footprint, an 84% decrease in emissions from PCBs, and a 74% reduction in the environmental impact of plastic manufacturing compared to the rest of the portfolio.

As a growing company, Airthings has expanded into new markets and increased production levels. Therefore we have seen an expected increase in the total CO_2e emissions year over year, from 6691 tCO_2e in 2021 to 7505 tCO_2e

in 2022, with >99% of emissions falling under scope 3 (indirect emissions). One point to note is that Airthings has zero direct scope 1 emissions and has decreased its direct scope 2 emissions from 26 tCO_2e in 2021 to 14 tCO_2e in 2022. This is mainly from a >20% decrease in energy consumption in the Oslo headquarters in 2022.

Likewise, in 2022 Airthings improved its preventive measures by establishing a new policy on anti-bribery and corruption, with 100% of its main manufacturers having approved its supplier's code of conduct. The Company has also established an anonymous whistleblower platform for its entire supply chain and obtained ISO 27001 certification in January 2023.To learn more about how Airthings and its products contribute positively to the three dimensions of sustainability for the planet, for people and for business, and how we are working internally to improve in these dimensions, please see our 2022 Sustainability Report.

Airthings values the well-being of its employees and the communities where it operates, establishing a Human Rights code of conduct and grievance mechanism to ensure high standards of labor practices, diversity, and inclusion. The Company is committed to transparent and ethical business practices and has robust policies and procedures to prevent bribery and corruption. 99% of employees have received training in human rights, diversity, inclusion, anti-bribery, and anti-corruption practices.

Norway's Transparency Act requires companies to carry out due diligence activities to ensure they are operating responsibly, both in terms of human rights and decent working conditions throughout their supply chain. The law went into effect from 1 July 2022. Airthings has been working with the framework prior to July 2022, and initiatied the due diligence process and risk assessment. Airthings will publish its report before the end of July 2023 according to the regulations. For more information regarding the Transparency Act please visit www.airthings.com/sustainability or read Airthings' Sustainability Report.

The Company's employees represent more than 35 nationalities, with 28% identifying as female. Airthings is working towards a gender balance of 40–60% women in its overall FTE, with a focus on teams where imbalances exist. One of the company's objectives is to offer equal salary and career opportunities regardless of gender. Airthings's Board of Directors contains 5 men and 4 women, and includes 2 employee representatives.

Airthings ASA and subsidiaries are covered by Directors and Officers liability insurance. The insurance indemnifies directors and officers for defense 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.

In 2022, the average number of FTEs was 124. Our employees have reported high satisfaction with the working environment with an Employee net promoter score (ENPS) of 40 and we continuously strive to achieve incremental improvements. Absence due to sickness amounted to 1.40% in 2022. There was one personal injury registered in 2022.

More information and equality statements can be found at www.airthings.com

OUTLOOK

Airthings's key focus for 2023 is to improve its profitability and working capital situation as it continues to grow its topline revenues. Improving inventory management and reducing inventory levels will, all else equal, improve the Group's liquidity. The Board and management share a strong belief in continued positive market demand for Airthings's products and services bolstered by lasting macro trends. Airthings's growth model has been backed by historically high investments in technology, people, brand awareness, and marketing, and the cost intensity is expected to moderate into 2023 due to increased scale and a higher share of high-margin recurring revenue going forward. The company aims to accelerate its path to profitability, and expects gradually improving operational leverage and improved unit economics 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

Oslo, March 29, 2023

Geir Førre
Chairman of the Board

Aksel Lund Svindal
Board member

Lars Boilesen
Board member

Emma Tryti
Board member

Liv Dyrnes
Board member

Fredrik Thoresen
Board member

Niklas Copley Norin
Board member

Karin Berg
Board member

Øyvind Birkenes
CEO

Chloe Emma Waller
Board Member

place undue reliance on forward looking statements.

Corporate Governance Report

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 Oslo Børs. As a Norwegian public limited liability company listed on Oslo Børs, 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.

The below description follows the same structure as the Code of Practice and covers all sections thereof.

1. Main objectives for the company's corporate governance

The Board shall ensure that the Company has good corporate governance to support the achievement of the Company's core objectives on behalf of its shareholders and to create a strong, sustainable company. The Board believes that good corporate governance requires openness and cooperation between the shareholders, the Board and the Management, employees, customers, suppliers, public authorities and society in general.

The CG Policy is based on the following main objectives:

- Open, reliable and relevant communication with the outside world regarding the Company's business and matters related to corporate governance;
- Equal treatment of the Company's shareholders;
- Independence between the Board, the Management and the shareholders in order to avoid conflicts of interests;
- A clear division of work between the Board and the Management and the shareholders;
- Good control and corporate governance mechanisms in order to achieve predictability; and
- reducing the level of risk for shareholders and stakeholders.

No deviations from the Code of Practice.

2. The business of the company

According to the Company's articles of association, its purpose is the development of products and services related to air quality and energy optimization of buildings, as well as international marketing and sale of these, investing in other companies or development of other businesses, and all that is related to the aforementioned.

The principal objectives and strategies of the Company are presented in the annual report, and on the Company's web site and are subject to annual assessments.

NO DEVIATIONS FROM THE CODE OF PRACTICE.

3. Equity and dividends

The Board is committed to maintaining a satisfactory equity ratio in the Company according to the Company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board will continuously monitor and assess the Company's capital requirements related to the Company's strategy and risk profile.

When deciding on dividends, the Company will consider the Company's financial position, investment plans as well as the needed financial flexibility for strategic growth.

The Board's general authorisations to increase the share capital and to buy own shares will not ordinarily be proposed to be granted for periods longer than until the next Annual General Meeting of the Company

Any proposed authorizations to the Board to increase the Company's share capital shall be restricted to defined purposes and shall be dealt with as separate agenda items at the general meeting. Board authorizations shall generally be limited in time to the date of the next annual general meeting, and in any event to 30 June the same year. This also applies to any authorization to the Board for the Company to purchase own shares.

NO DEVIATIONS FROM THE CODE OF PRACTICE.

4. Equal treatment of shareholders and transactions with close

The shares of Airthings ASA are listed on Oslo Børs. All issued shares carry equal shareholder rights in all respects, including the right to participate and vote in General Meetings, and there are no restrictions on transfer of shares. The articles of association place no restrictions on voting rights.

NO DEVIATIONS FROM THE CODE OF PRACTICE.

5. Shares and negotiability

Airthings ASA shares are freely tradable and there are no restrictions on the sale and purchase of the Company's shares beyond those pursuant to Norwegian law. Each share carries one vote.

NO DEVIATIONS FROM THE CODE OF PRACTICE.

6. General meeting

The Board shall ensure that the Company's shareholders can participate at general meetings. Notice of the meeting shall be sent to the shareholders no later than 21 days prior to the meeting. The notices for such meetings shall include documents providing the shareholders with sufficient detail for the shareholders to assess all the cases to be considered as well as all relevant information regarding procedures of attendance and voting, including: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy. The Chair of the Board and the CEO are present at the Annual General Meeting, and the Chair of the Nomination Committee and the auditor are normally present as well. An independent person has historically been elected to chair the Annual General Meeting.

NO DEVIATIONS FROM THE CODE OF PRACTICE.

7. Board composition and independency

The Board shall be composed in a way that it can attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity and act independently of special interests. The majority of the shareholder-elected Board members shall be independent of the Management and significant business contacts. At least two of the members of the Board shall be independent of the Company's major shareholder(s).

The Chair of the Board is elected by the general meeting. The term of office for members of the Board shall not be longer than two years at a time. Members of the Board may be re-elected for one or more new terms

The Board of Directors currently consists of the following 9 members

Geir Førre	Chairman
Aksel Lund Svindal	Board member
Liv Dyrnes	Board member
Lars Boilesen	Board member
Emma Tryti	Board member
Karin Berg	Board member
Fredrik Thoresen	Board member
Anlaug Underdal	Board member – Employee representative
Tore Rismyhr	Board member – Employee representative

An introduction to the members of the Board of Directors and their experience can be found on www.Airthings.com

No deviations from the Code of Practice.

8. The work of the board

The Board will seek to prepare annual plans for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility shall be participating in the development and approval of the Company's strategy, performing necessary monitoring functions and acting as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the

Company is compliant with the Company's values and ethical guidelines. The chair of the Board is responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board is regularly briefed on the company's financial situation.

The Board of Directors has established an Audit Committee consisting of Liv Dyrnes and Karin Berg. The function of the Audit Committee is to prepare matters to be considered by the Board and to support the Board in the exercise of its management and supervisory responsibilities relating to financial reporting, statutory audit and internal control.

No deviations from the Code of Practice.

9. Risk management and internal control

The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Group's business activities.

The Board shall carry out regular assessments of risk exposure, as well as an annual review of the Group's most important areas of exposure to risk and its internal control measures

No deviations from the Code of Practice.

10. Board remuneration

The remuneration to the members of the Board shall be determined by the annual general meeting each year. The Board's remuneration shall reflect the Board's responsibility, expertise, use of time and the complexity of the Company's business activities. Remuneration shall not be dependent on or linked to the Company's performance, and no options shall be issued to the members of the Board.

Airthings AS issued options to Board member Aksel Lund Svindal 1.April 2019 This was prior to the company becoming a listed company and before this policy was incorporated. Aksel Lund Svindal currently holds 100 000 options at a strike price of 3.36. No options have been issued to the members of the Board after Airthings ASA became a listed company and this policy was approved.

No deviations from the Code of Practice.

11. Management remuneration

The Board members, who are all independent of the Company's executive management, decide the CEO's salary and other compensation, after recommendation from the RemCom. The CEO's salary and bonus shall be determined on the basis of an evaluation by selected members of the Board, with emphasis on the CEO's and the Company's overall performance. Any fringe benefits shall be in line with market practice and should normally not be substantial in relation to the CEO's basic salary. The Board shall annually carry out an assessment of the salary and other remuneration to the CEO.

No deviations from the Code of Practice.

12. Information and communications

The Company shall at all times provide its shareholders, Oslo Børs and the financial market in general with timely and precise information. Such information will be given in the form of annual reports, quarterly reports, press releases, stock exchange announcements and investor presentations. The Company's report on corporate social responsibility shall be integrated in the annual report.

No deviations from the Code of Practice.

13. Take overs

In the event of a take-over process, the Board has a duty to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board will also ensure that the shareholders have sufficient information and time to assess the offer. In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance.

No deviations from the Code of Practice.

14. Auditor

Each year, the auditor shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity. The auditor shall participate in Board meetings dealing with the annual accounts.

At the annual general meeting and/or in the annual financial statements, the Board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other concrete assignments.

No deviations from the Code of Practice.

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 2022 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 29, 2023

Geir Førre Chairman of the Board	**Aksel Lund Svindal** Board member	**Lars Boilesen** Board member	**Emma Tryti** Board member
Liv Dyrnes Board member	**Fredrik Thoresen** Board member	**Niklas Copley Norin** Board member	**Karin Berg** Board member
	Øyvind Birkenes CEO	**Chloe Emma Waller** Board Member	

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 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, 2022, the share capital in the company amounted to NOK 1 739 923.46, distributed across 173 992 346 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 34 780 124, or 20.0%, of the share capital at the end of 2022.

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

On May 25, 2022 the Annual General Meeting (AGM) gave the board of directors three separate authorizations to increase share capital; up to NOK 172 366 in connection with investments general purposes and transactions (NOK 172 366 remains), up to NOK 123 417 in connection with a new incentive program and current granted options (NOK 11 984 remains), and up to an aggregate nominal value of NOK 172 366 to acquire treasury shares (NOK 172 366 remains). All above authorizations are valid until the Airthings AGM in 2023, however, no longer than until June 30, 2023.

Shareholder	Shares	Ownership
Firda AS	34,780,124	20.0%
Verdipapirfondet KLP Aksjenorge	7,962,222	4.6%
Rabakken Invest AS	5,800,364	3.3%
Atlas Invest AS	5,637,468	3.2%
Wøien, Halvor	4,894,522	2.8%
Bolle, Erlend Peter Johnsen	4,819,722	2.8%
Victoria India Fund AS	4,558,131	2.6%
Koki Yoshioka	4,166,650	2.4%
TIN World Tech	3,025,292	1.7%
Brownske Bevegelser AS	3,000,000	1.7%
Other	95,347,851	54.8%
Total shares	**173,992,346**	**100.0%**

Financial calendar	
1Q23 quarterly results	May 4, 2023
Half-yearly report	July 14, 2023
3Q23 quarterly results	October 26, 2023
4Q23 quarterly results	February 8, 2024

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	1,272	509,515	0.3%
1,001–10,000	1,188	4,819,926	2.8%
10 001–100,000	493	15,113,319	8.7%
100,001–500,000	88	19,096,833	11.0%
500,001– 500,001+	49	134,452,753	77.3%
Total	**2,739**	**173,992,346**	**100.0%**

AIRTHINGS

Airthings Financials

Table of Contents

Consolidated statement of profit or loss

For the years ended 31 December			
Amounts in USD 1,000	**Notes**	**2022**	**2021**
Revenues	2.2	35,424	33,671
Other operating income	2.3	-	28
Total revenue and other operating income		**35,424**	**33,699**
Cost of goods sold		14,465	13,041
Employee benefit expenses	2.4	16,654	15,127
Other operating expenses	2.5	16,090	13,566
Operating profit or loss before depreciation and amortization (EBITDA)		**-11,785**	**-8,035**
Depreciation and amortization	2.6	1,433	1,335
Impairment	5.1	1,444	-
Operating profit or loss (EBIT)		**-14,662**	**-9,371**
Finance income	2.7	1,173	323
Finance costs	2.7	208	268
Net financial items		**965**	**55**
Profit (loss) before tax		**-13,697**	**-9,315**
Income tax expense	2.8	-3,131	-2,055
Profit (loss) for the year		**-10,566**	**-7,261**
Profit (loss) for the year attributable to:			
Equity holders of the parent company		-10,566	-7,261
Earnings per share:			
Basic earnings per share	6.7	-0.06	-0.04
Diluted earnings per share	6.7	-0.06	-0.04

Consolidated statement of comprehensive income

For the years ended 31 December		
Amounts in USD 1,000	**2022**	**2021**
Profit (loss) for the year	**-10,566**	**-7,261**
Other comprehensive income:		
Items that subsequently will not be reclassified to profit or loss:		
Exchange differences on translation of parent company	-7,025	-2,366
Total items that will not be reclassified to profit or loss	**-7,025**	**-2,366**
Items that subsequently may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	-	14
Total items that may be reclassified to profit or loss	**-**	**14**
Other comprehensive profit (loss) for the year	**-7,025**	**-2,352**
Total comprehensive profit (loss) for the year	**-17,590**	**-9,612**
Total comprehensive profit (loss) attributable to:		
Equity holders of the parent company	-17,590	-9,612

Consolidated statement of financial position

Amounts in USD 1,000	Notes	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	5.1, 5.2	2,872	3,210
Intangible assets	5.1	2,459	2,495
Deferred tax assets	2.8	7,108	4,509
Property, plant and equipment	5.3	830	809
Right-of-use assets	5.4	3,140	4,241
Other non-current assets	3.5, 6.6	132	1,075
Total non-current assets		**16,541**	**16,339**
Current assets			
Inventories	3.1	18,713	11,429
Trade receivables	3.2	11,099	11,850
Other receivables	3.2	4,115	1,889
Cash and cash equivalents	6.4	13,274	42,174
Total current assets		**47,202**	**67,342**
TOTAL ASSETS		**63,743**	**83,680**

Consolidated statement of financial position

Amounts in USD 1,000		2022	2021
Equity			
Share capital	6.5	192	190
Share premium		78,979	78,669
Other capital reserves		2,068	1,704
Other equity		-30,311	-12,721
Total equity		**50,928**	**67,842**
Non-current liabilities			
Non-current lease liabilities	5.4	2,554	3,803
Deferred tax liabilities	2.8	-	-
Non-current provisions	3.5	125	1,090
Total non-current liabilities		**2,679**	**4,892**
Current liabilities			
Current lease liabilities	5.4	850	670
Trade and other payables	3.4	6,177	7,027
Contract liabilities	3.3	1,111	894
Income tax payable	2.8	60	27
Current provisions	3.5	1,938	2,328
Total current liabilities		**10,137**	**10,946**
Total liabilities		**12,816**	**15,838**
TOTAL EQUITY AND LIABILITIES		**63,743**	**83,680**

Oslo, March 29, 2023

Geir Førre
Chairman of the Board

Aksel Lund Svindal
Board member

Lars Boilesen
Board member

Emma Tryti
Board member

Liv Dyrnes
Board member

Fredrik Thoresen
Board member

Niklas Copley Norin
Board member

Karin Berg
Board member

Øyvind Birkenes
CEO

Chloe Emma Waller
Board Member

Consolidated statement of cash flows

For the years ended 31 December			
Amounts in USD 1,000	**Notes**	**2022**	**2021**
Cash flows from operating activities			
Profit (loss) before tax		**-13,697**	**-9,315**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial items	2.7	-965	-55
Depreciation, amortization and impairment	2.6	2,877	1,335
Share-based payment expense	6.6	364	608
Working capital adjustments:			
Changes in inventories	3.1	-7,284	-6,736
Changes in trade and other receivables	3.2	-1,476	-4,697
Changes in trade and other payables and contract liabilities	3.3, 3.4	-633	3,360
Changes in provisions	3.5	-1,354	-380
Other items			
Tax paid	2.8		1
Net cash flows from operating activities		**-22,169**	**-15,879**
Cash flows from investing activities			
Development expenditures	5.1	-2,145	-574
Purchase of property, plant and equipment	5.3	-341	-495
Interest received	2.7	258	102
Net cash flow from investing activities		**-2,228**	**-968**
Cash flow from financing activities			
Proceeds from issuance of equity	6.5	312	198
Repayment of borrowings	6.8	-	-1,901
Payments for the principal portion of the lease liability	5.4	-698	-636
Payments for the interest portion of the lease liability	5.4	-201	-217
Interest paid	2.7	-	-4
Net cash flows from financing activities		**-586**	**-2,560**
Net increase/decrease in cash and cash equivalents		**-24,983**	**-19,407**
Cash and cash equivalents at 1 January		42,174	62,943
Net foreign exchange difference		-3,917	-1,362
Cash and cash equivalents at 31 December		**13,274**	**42,174**

Consolidated statement of changes in equity

Amounts in USD 1,000	Share capital	Share premium	Other capital reserves	Other Equity: Cumulative translation differences	Other Equity: Retained earnings	Total equity
Equity at as 1 January 2021	**188**	**78,472**	**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 6.5)	1	197				198
Share-based payments (Note 6.6)			608			608
Equity as at 31 December 2021	**190**	**78,669**	**1,704**	**1,962**	**-14,683**	**67,842**
Profit (loss) for the year					-10,566	-10,566
Other comprehensive profit (loss)				-7,025		-7,025
Total comprehensive profit (loss)	**-**	**-**	**-**	**-7,025**	**-10,566**	**-17,590**
Capital increase (Note 6.5)	2	310				312
Share-based payments (Note 6.6)			364			364
Equity as at 31 December 2022	**192**	**78,979**	**2,068**	**-5,062**	**-25,248**	**50,928**

Section 1 – General information and accounting policies

1.1 Corporate information

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

Airthings and its subsidiaries (collectively "the Group", or "Airthings") develop and 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 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 29 March 2023.

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").

The consolidated financial statements have been prepared on a historical cost basis, the company has no assets or liabilities valued at fair value. 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.

Further, the consolidated financial statements are prepared based on the going concern assumption. The macroeconomic environment has proven challenging throughout 2022 with increasing interest rates and inflation causing uncertainty and reduced consumer confidence. Consequently, retailers and distribution partners have reduced inventory coverage to lower their capital burden and hamper risk exposure. The Board continues to monitor the situation carefully to ensure appropriate measures are taken as the situation continues to unfold through 2023.

Presentation currency and functional currency

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, 2022. 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 31December 2022, 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, 2023 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 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, and 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 of inventory (note 3.1)
- Value in use calculations in relation to impairment testing of goodwill (note 5.2)
- Estimating fair value for share-based payments transactions (note 6.6)

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 IFRS. 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.

Year ended 31 December 2022 (USD 1,000)	Consumer	Business	Professional	Group functions	Consolidated IFRS
REVENUES & PROFIT					
External customers	23,037	10,313	2,075	-	35,424
Other operating income	-	-	-	-	-
Total revenue	**23,037**	**10,313**	**2,075**	**-**	**35,424**
Cost of goods sold	9,871	4,254	340	-	14,465
Employee benefit expenses	2,046	3,934	323	10,351	16,654
Other operating expenses	3,830	1,091	687	10,482	16,090
EBITDA	**7,291**	**1,033**	**724**	**-20,833**	**-11,785**

Year ended 31 December 2021 (USD 1,000)	Consumer	Business	Professional	Group functions	Consolidated IFRS
REVENUES & PROFIT					
External customers	23,561	6,942	3,167	-	33,671
Other operating income	-	-	-	28	28
Total revenue	**23,561**	**6,943**	**3,167**	**28**	**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	10,368	13,566
EBITDA	**10,207**	**208**	**2,065**	**-20,516**	**-8,035**

Major customers

In 2022 the largest customer of the Group accounted for 23% (2021: 31%) of consolidated revenues, mainly allocated to the consumer segment. The second largest customer accounted for 11% of consolidated revenues in 2021 (2021: 17%), 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)	2022	2021
Located in Norway	5,883	7,126
Located in foreign countries	546	419
Total	**6,429**	**7,545**

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 point in time, upon delivery or when the goods are packed and shipped, depending on the delivery terms. The payment terms range from a couple of business days to longer periods, e.g. 60 to 90 days, after the performance obligation is satisfied depending on the type of customer. Since the Group's exposure to losses has historically been low the Group only takes modest provisions in regard to bad debt.

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 customer 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)	2022	2021
Revenue from contracts with customers	34,953	33,172
Rental income	471	499
Total revenues	**35,424**	**33,671**

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

Geographical information (USD 1,000)	2022	2021
EMEA	10,102	9,537
North America (USA and Canada)	24,851	23,635
Total revenue from contracts with customers	**34,953**	**33,172**

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

Timing of revenue recognition (USD 1,000)	2022	2021
Goods transferred at a point in time	32,527	31,791
Subscription and services transferred over time	2,427	1,382
Total revenue from contracts with customers	**34,953**	**33,172**

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

(USD 1,000)	2022	2021
Within one year	823	110
More than one year	307	175
Total	**1,131**	**285**

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. The payment terms range from a couple of business days to longer periods, e.g. 60 to 90 days. 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)	2022	2021
Government grants	-	28
Total other operating income	**-**	**28**

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	2022	2021
Grant from Innovation Norway	Other operating income	-	28
Grant from SkatteFUNN – A	Employee benefit expenses	247	276
Grant from SkatteFUNN – B	Other operating expenses	247	276
Total government grants recognized		**494**	**580**

Grant from innovation Norway

In 2020 and 2021, 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.

SkatteFUNN

In 2020, Airthings ASA received a three-year Skattefunn grant from Forskningsrådet (a Norwegian government R&D tax incentive program designed to stimulate R&D in Norwegian trade and industry). In 2022 the Group recognized USD 494 thousands as a cost reduction of R&D expenses, respectively as reduced employee benefit expenses and other operating expenses (2021: USD 552 thousands). As of 31 December 2022 the Group has recognized a receivable of USD 482 thousands related to the grant from SkatteFUNN (31 December 2021: USD 539 thousands), as presented in the table below.

Government grants in the consolidated statement of financial position

Government grants receivable (USD 1,000)	31.12.2022	31.12.2021
Grant from Innovation Norway	-	-
Grant from Horizon	-	-
Grant from SkatteFUNN	482	539
Total government grants receivable	**482**	**539**

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

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)	2022	2021
Salaries	13,477	12,022
Social security costs	1,902	1,680
Pension costs	615	438
Share-based payment expenses	364	608
Other employee expenses	296	380
Total employee benefit expenses	**16,654**	**15,127**
Average number of full time employees (FTEs)	124	105

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)	2022	2021
Marketing	5,673	4,744
External services	4,999	4,538
Freight	2,062	1,373
Offices	1,332	1,207
Software	955	615
Other operating expenses	1,070	1,089
Total other operating expenses	**16,090**	**13,566**

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)	2022	2021
Sales and marketing	19,621	19,366
Research and development	7,201	8,110
General and administrative	5,922	1,217
Total operating expenses	**32,744**	**28,693**

Total research expenses for 2022 were USD 7.1 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 2021 total research expenses were USD 8 million (net of cost reduction from SkatteFUNN, refer to note 2.3).

Remuneration to the auditor (USD 1,000)	2022	2021
Statutory audit fee	117	103
Tax advisory and other services	60	45
Total remuneration to the auditor	**177**	**148**

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	2022	2021
Depreciation of property, plant and equipment	5.3	269	256
Depreciation of right-of-use assets	5.4	769	737
Amortization of intangible assets	5.1	395	342
Total depreciation and amortization expenses		**1,433**	**1,335**

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)	2022	2021
Interest income	261	102
Other finance income	-	-
Foreign exchange gain	912	221
Total finance income	**1,173**	**323**

Finance costs (USD 1,000)	2022	2021
Interest expenses	7	15
Interest expense on lease liabilities	201	217
Foreign exchange loss	-	-
Other finance costs	-	37
Total finance costs	**208**	**268**

Foreign exchange (USD 1,000)	2022	2021
Foreign exchange gain	7,341	6,350
Foreign exchange loss	6,429	6,129
Net foreign exchange gain (loss)	**912**	**221**

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 30 609 thousand as at 31 December 2022 (USD 20 266 thousand as at 31 December 2021) 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 2022 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 6 749 thousand as at 31 December 2022.

Current income tax expense (USD 1,000)	2022	2021
Tax payable	33	10
Change deferred tax/deferred tax assets (ex. OCI effects)	-3,165	-2,065
Total income tax expense	**-3,131**	**-2,055**

Deferred tax assets (USD 1,000)	31.12.2022	31.12.2021
Property, plant and equipment	1,484	3,682
Right-of-use assets (net amount)	-75	-98
Customer contracts	554	-604
Other current assets	-270	-100
Merger	-1,531	-2,354
Losses carried forward (including tax credit)	-30,678	-20,266
Other	-1,794	-1,592
Basis for deferred tax assets	**-32,310**	**-21,331**
Calculated deferred tax assets	7,108	4,685
Deferred tax assets not recognized	-	-175
Net deferred tax assets in the statement of financial position	**7,108**	**4,509**

Deferred tax liabilities (USD 1,000)	31.12.2022	31.12.2021
Intangible assets		
Basis for deferred tax liabilities	**-**	-
Calculated deferred tax liabilities		
Deferred tax not recognized		
Deferred tax liabilities recognized in the statement of financial position	**-**	-

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 21,65% for 31.12.2022 and 22% for 31.12.2021.

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)	2022	2021
Profit or loss before tax	**-13,697**	**-9,315**
Tax expense 22% (Norwegian tax rate)	-3,013	-2,049
Change to prior period tax expense	-	-
Permanent differences*	-43	9
Effects of foreign tax rates	-4	-1
Effects of changes in tax rate	-	-
Currency effects	1	-
Effect of not recognizing deferred tax assets	-72	-13
Recognized income tax expense	**-3,131**	**-2,055**

* The permanent differences are related to SkatteFUNN, options 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.

Significant accounting estimates and assumptions

Value of inventories

The increase in the Group's inventories in 2022 primarily reflects channel partners lowering their own inventory holding levels and the Group consequently holding more goods than was otherwise planned for. An evaluation of the inventories was conducted in conjunction with the closing of the period, and although inventories are at elevated levels, it was determined that any potential write-down would not be warranted. The Group has a gross margin of 50-60% on finished goods. Management's expectations is that there will be a positive gross profit margin contribution from all products in 2023, even if the Group are to reduce prices.

Beyond a USD 223 thousands write-down related to the derecognition of the Airtight technology, there were no other reversals or write-down of components or finished goods in the periods presented.

Inventories (USD 1,000)	31.12.2022	31.12.2021
Finished goods	14,425	8,006
Components	4,288	3,423
Total inventories at the lower of cost and net realizable value	**18,713**	**11,429**

In 2022, there was a write down of finished goods of USD 223 thousands related to the derecognition of the Airtight technology. In 2021, there were no write-downs of finished goods or components.

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. 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)	31.12.2022	31.12.2021
Trade receivables from customers at nominal value	11,369	11,950
Allowance for expected credit losses	270	100
Total trade receivables	**11,099**	**11,850**

Other receivables (USD 1,000)		
Prepaid expenses	3,101	814
Government grants	482	539
VAT receivable	42	305
Related parties	1	41
Other	489	191
Total other receivables	**4,115**	**1,889**

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 31.12.2022	6,801	1,447	682	2,169	**11,099**
Trade receivables at 31.12.2021	5,937	2,666	1,177	2,070	**11,850**

For details regarding the Group's procedures on managing credit risk, see note 6.3.

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 below:

Contract liabilities (USD 1,000)	31.12.2022	31.12.2021
Amount included at the beginning of the period	**863**	**422**
Addition of new contract liabilities	940	1,487
Performance obligations recognized in the period	-692	-1,014
Total contract liabilities	**1,111**	**894**
Current contract liabilities	**859**	**719**
Non-current contract liabilities	**253**	**175**

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 withholding 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 (USD 1,000)	31.12.2022	31.12.2021
Trade payables	3,937	4,775
Withholding payroll taxes and social security	1,034	976
Other payables	1,205	1,275
Total trade and other payables	**6,177**	**7,027**

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 obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation 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 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**
At 1 January 2022	**1,723**	**1,090**	**604**	**2,813**
Additional provisions made	1,938	-600	-604	**1,338**
Amounts used	-1,723	-243	-	**-1,966**
Unused amounts reversed	-	-28		**-28**
Currency translation effects	-	-94		**-94**
At 31 December 2022	**1,938**	**125**	**0**	**2,063**
Current provisions				**1,938**
Non-current provisions				**125**

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 2022. 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%

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)	Capitalized Development Costs	Software & systems	Technology	Goodwill	Total
Acquisition cost as at 1 January 2021	**-**	**727**	**1,770**	**3,317**	**5,814**
Additions through acquisitions	-	-		-	-
Additions	-	433	141	-	574
Disposals				-	-
Currency translation effects	-	-31	-47	-107	-185
Acquisition cost 31 December 2021	**-**	**1,129**	**1,864**	**3,210**	**6,203**
Additions	1,196	184	766	-	2,145
Additions through acquisition	-	-	-	-	-
Disposals	-	-	-	-	-
Currency translation effects	-48	-141	-247	-338	-774
Acquisition cost as at 31 December 2022	**1,148**	**1,171**	**2,383**	**2,872**	**7,573**
Accumulated amortization as at 1 January 2021	**-**	**119**	**45**	**-**	**164**
Amortization charge for the year	-	167	176	-	343
Impairment charge for the period	-	-	-	-	-
Currency translation effects	-	-4	-4	-	-8
Accumulated amortization as at 31 December 2021	**-**	**282**	**217**	**-**	**499**
Amortization charge for the year	-	305	90	-	395
Impairment charge for the period	-	-	1,444	-	1,444
Currency translation effects	-	-33	-60	-	-93
Accumulated amortization as at 31 December 2022	**-**	**554**	**1,690**	**-**	**2,244**
Net book value:					
At 31 December 2021	**-**	**847**	**1,647**	**3,210**	**5,704**
At 31 December 2022	**1,148**	**617**	**693**	**2,872**	**5,331**

	Software & systems	Technology	Goodwill
Economic life (years)	5	10	Indefinite
Depreciation plan	Straight-line		

Additions

The additions in 2021 are mainly related to the implementation of a subscription tool within the Airthings for Business segment. Additions in 2022 relates mainly to capitalized development costs. These assets are under development per 31.12.2022 and is planned released in 2023. When the asset is released it will be classified as Technology. Space CO_2 mini was launched in Q4 2022 and amortization commenced.

Derecognition of technology – Airtight

During Q2 2022 Airthings have decided not to sell Airtight hardware as a separate product, but rather continue to help customers achieve energy savings through current AfB solutions. The group sees major optimization opportunities to make existing buildings both smarter and more energy efficient, and the insight gleaned from the differential pressure concept will inform R&D efforts for the AfB portfolio going forward. This resulted in a derecognition of technology of USD 1,5 million specifically related to the Airtight technology hardware and USD 0,2 million of the inventory, ref note 3.1.

5.2 Goodwill & impairment considerations

ACCOUNTING POLICIES

Recognized goodwill in the Group is derived from the acquisition of Airtight AS in 2020.

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 2021	3,317
Additions through acquisition	-
Currency translation effects	-108
Gross amount as at 31 December 2021	**3,210**
Currency translation effects	-338
Gross amount as at 31 December 2022	**2,872**
Accumulated impairment as at 1 January 2021	-
Impairment for the year	-
Accumulated impairment as at 31 December 2021	-
Impairment for the year	-
Accumulated impairment as at 31 December 2022	-
Carrying amount as at 1 January 2021	**3,317**
Carrying amount as at 31 December 2021	**3,210**
Carrying amount as at 31 December 2022	**2,872**

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. 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 trends 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. Macro trends such as the increasing awareness of Indoor Air Quality (IAQ) and heightened focus on energy costs and sustainability are anticipated to intensify in the years ahead. Management also expects

Airthings's market position to remain largely constant. Given these factors, management has performed both a bottoms-up and top-down forecasting of growth in Airthings for Business and 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. This, combined with an assumption of a larger share of revenues coming from software subscription, as well as operational improvements, results in an improved EBITDA margin than has been experienced historically.

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:

CGU	Revenue growth in the forecast period*	EBITDA margin	Terminal growth rate	Pre-tax discount rate
Business CGU – 31 December 2022	70.8%	14.50%	2.0%	14.1%

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

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.

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 2021	**846**	**83**	**929**
Additions through acquisitions	-	-	-
Additions	443	53	495
Currency translation effects	-29	-3	-32
Acquisition cost as at 31 December 2021	**1,260**	**132**	**1,392**
Additions	282	88	370
Currency translation effects	-78	-7	-85
Acquisition cost as at 31 December 2022	**1,465**	**213**	**1,677**
Accumulated depreciation as at 1 January 2021	**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**
Depreciation for the year	240	29	269
Currency translation effects	-6	-1	-6
Accumulated depreciation as at 31 December 2022	**780**	**67**	**847**
Net book value:			
At 1 January 2021	**541**	**53**	**595**
At 31 December 2021	**715**	**94**	**808**
At 31 December 2022	**685**	**146**	**830**

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 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 2021	**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**
Additions of right-of-use assets	-	-	-
Depreciation	764	5	769
Currency translation effects	-332		-332
Balance as at 31 December 2022	**3,102**	**64**	**3,140**

Remaining lease term or remaining useful life (years)	2-6	6
Depreciation plan	Straight-line	

Expenses in the period related to practical expedients and variable payments (USD 1,000)	2022	2021
Short-term lease expenses	-	8
Low-value assets lease expenses	223	196
Variable lease expenses in the period (not included in the lease liabilities)	-	-
Total lease expenses in the period	**223**	**205**

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)	31.12.2022	31.12.2021
Less than one year	819	999
1-2 years	827	994
2-3 years	832	1,001
3-4 years	821	1,010
More than four years	337	1,312
Total undiscounted lease liabilities	**3,637**	**5,316**

Changes in the lease liabilities - 2021 (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	-636
Cash payments for the interest portion of the lease liability	-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

Changes in the lease liabilities - 2022 (USD 1,000)	Total
At 1 January 2022	**4,473**
New leases recognized during the period	-
Cash payments for the principal portion of the lease liability (financing activities)	-698
Cash payments for the interest portion of the lease liability (operating activities)	-201
Interest expense on lease liabilities	201
Currency translation effects	-371
Total lease liabilities at 31 December 2022	**3,404**
Current lease liabilities in the statement of financial position	850
Non-current lease liabilities in the statement of financial position	2,554

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 2022 (USD 1,000)	Note	Financial instruments at amortized cost	Total
Assets			
Trade receivables	3.2	11,099	**11,099**
Cash and cash equivalents	6.5	13,274	**13,274**
Total financial assets		**24,373**	**24,373**
Liabilities			
Trade payables	3.4	3,937	**3,937**
Non-current lease liabilities	5.4	2,554	**2,554**
Current lease liabilities	5.4	850	**850**
Total financial liabilities		**7,342**	**7,342**

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

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	6.4	42,174	**42,174**
Total financial assets		**54,024**	**54,024**
Liabilities			
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**

6.2 Ageing of financial liabilities

Contractual undiscounted cash flows from financial liabilities is presented below:

31.12.2022 (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							
Trade and other payables	3.4	6,177					**6,177**
Non-current lease liabilities	5.4		827	832	821	337	**2,818**
Current lease liabilities	5.4	819					**819**
Total financial liabilities		**6,996**	**827**	**832**	**821**	**337**	**9,813**

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							
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**

6.3 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.

War in Ukraine – the ongoing war does not currently impact the Group directly, as it has no operating presence in either Russia,Belarus or Ukraine. Indirect effects however, such as financial market volatility, sanctions related knock-on effects, general economic market conditions and other future responses of international governments, might have an impact on the Group's financial results and financial position. The Group's management continues to monitor the situation and has an ongoing assessment of potential impact on the Group's financial results and financial position.

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.

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 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	31.12.2022	+/- 10%	820
Increase / decrease in NOK/USD	31.12.2021	+/- 10%	19

Foreign currency sensitivity	Date	Change in FX rate	Effect on profit before tax (USD 1,000)
Increase / decrease in NOK/CAD	31.12.2022	+/- 10%	152
Increase / decrease in NOK/CAD	31.12.2021	+/- 10%	403

Foreign currency sensitivity	Date	Change in FX rate	Effect on profit before tax (USD 1,000)
Increase / decrease in NOK/EUR	31.12.2022	+/- 10%	160
Increase / decrease in NOK/EUR	31.12.2021	+/- 10%	120

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 Group has close connection with its largest customers and receivable balances are monitored on an ongoing basis. Payment terms range from a couple of business days to longer periods e.g 60 to 90 days. The Group's exposes 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 weakned its cash position from 2021. To improve the cash situation the group has intensified its focus on optimizing business operations and reducing inventories. This effort includes promotional activities to increase sales and cost initiatives. In addition, the group has entered into a USD 8 million revolving credit facility with Danske Bank in 2023, see note 7.4. The board of directors have also resloved to propose a private placement to raise NOK 75 million. The liquidity risk is hence considered to be at a reasonable level.

An overview of the maturity profile of the Group's financial liabilities with corresponding cash flow effect is presented in note 6.2 and 6.9.

6.4 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)	31.12.2022	31.12.2021
Bank deposits, unrestricted	11,960	40,846
Bank deposits, restricted	1,314	1,328
Total cash and cash equivalents	**13,274**	**42,174**

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

6.5 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)	31.12.2022	31.12.2021
Total Equity	50,928	67,842
Total Assets	63,742	83,680
Equity ratio	**80%**	**81%**

ACCOUNTING POLICIES

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 31 December 2021	**171,816,437**	**0.01**	**190**
Share capital increase – February 2022	550,400	0.01	1
Share capital increase – May 2022	482,200	0.01	1
Share capital increase – July 2022	160,109	0.01	0
Share capital increase – November 2022	983,200	0.01	1
At 31 December 2022	**173,992,346**	**0.01**	**192**

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 31.12.2022	Total shares	Ownership/ Voting rights
Firda AS	34,780,124	20%
Verdipapirfondet KLP AksjeNorge	7,962,222	5%
Rabakken Invest AS	5,800,364	3%
Atlas Invest AS	5,637,468	3%
Halvor Wøien	4,894,522	3%
Erlend Peter Johnsen Bolle	4,819,722	3%
Victoria India Fund AS	4,558,131	3%
Koki Yoshioka	4,166,650	2%
TIN World Tech	3,025,292	2%
Brownske Bevegelser AS	3,000,000	2%
Danske Invest Norge Vekst	2,962,962	2%
Bjørn Magne Sundal	2,900,000	2%
Skilling Systemer AS	2,900,000	2%
Møsbu AS	2,814,236	2%
Longfellow Invest AS	2,753,534	2%
Nore-Invest AS	2,450,659	1%
Grotmol Solutions AS	2,434,403	1%
Storlien Invest AS	2,432,000	1%
Verdipapirfondet Storebrand Norge	1,894,800	1%
Centra Invest AS	1,851,851	1%
Other	69,953,406	40%
Total	**173,992,346**	**100%**

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 31.12.2021	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.

6.6 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 & 2022

Options granted prior to the Annual General Meeting vests in tranches that vest over four years, 25% of the options vest on the first anniversary of the grant date and the remaining 75% of the options vest in equal monthly tranches over the next 36 months, subject to employment by the Group. The options can be exercised after they are fully vested until they expire 10 years after the grant date. Options granted after the Annual General Meeting 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 174 thousands was expensed as employee benefit expenses in the period (USD 608 thousands in 2021). 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:

Overview of outstanding options at 31.12.2022:

	2022 WAEP (NOK)	2022 Number	2021 WAEP (NOK)	2021 Number
Outstanding options 1 January	3.35	9,876,257	2.08	9,715,824
Options granted	4.86	2,194,496	9.36	1,744,156
Options forfeited	6.55	-667,049	4.71	-372,923
Options exercised*	1.38	-2,175,909	1.40	-1,210,800
Options expired	4.62	-180,963	-	-
Outstanding options 31 December	**3.92**	**9,046,832**	**3.35**	**9,876,257**
Exercisable at 31 December				

* The weighted average share price at the date of exercise of these options was NOK 1.38 in 2022, and NOK 1.40 in 2021.

The weighted average remaining contractual life for the options outstanding as at 31 December 2022 was 4.79 years (2021: 6.06 years). The weighted average fair value of options granted during the year was NOK 1.51 (2021: NOK 4.05).

Exercise price (NOK)	Number of outstanding options	Weighted Average remaining contractual life	Number of options exercisable
0.00–2.00	3,254,600	3.93	3,254,600
2.00–4.00	3,427,230	5.76	1,490,691
4.00–6.00	187,275	5.69	39,200
6.00–8.00	269,609	6.87	143,448
8.00–10.00	1,546,717	3.60	380,352
10.00–12.00	182,977	4.74	25,610
12.00–	178,424	7.90	86,531
	9,046,832		**5,420,432**

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
12.00–12.00+	266,012	9.13	23,792
Outstanding options 31 December	**9,876,257**		**6,204,609**

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 2022 and 31 December 2021, respectively:

	2022	2021
Weighted average fair values at the measurement date (NOK)	3.80	4.05
Dividend yield (%)	0%	0%
Expected volatility (%)	42.5%	45.6%
Risk-free interest rate (%)	3.30%	1.20%
Expected life of share options (years)	2.50	5.79
Weighted average share price (NOK)	4.10	9.67
Weighted average exercise price (NOK)	5.05	9.36
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.

6.7 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)	2022	2021
Profit or loss attributable to ordinary equity holders – for basic EPS	-10,565,598	-7,260,506
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution*	-10,565,598	-7,260,506
Weighted average number of ordinary shares – for basic EPS	172,826,775	171,306,689
Weighted average number of ordinary shares adjusted for the effect of dilution	177,557,976	178,442,358
Basic EPS – profit or loss attributable to equity holders of the parent	-0.06	-0.04
Diluted EPS – profit or loss attributable to equity holders of the parent*	-0.06	-0.04

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

6.8 Changes in liabilities arising from financing activities

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

2022 (USD 1,000)	Note	01.01. 2022	Cash flow effect	Non-cash changes			31.12. 2022
				New leases	Foreign exchange movement	Other changes	
Lease liabilities	5.4	4,473	-898	-	-371	201	**3,404**
Total liabilities from financing		**4,473**	**-898**	**-**	**-371**	**201**	**3,404**

2021 (USD 1,000)	Note	01.01. 2021	Cash flow effect	Non-cash changes			31.12. 2021
				New leases	Foreign exchange movement	Other changes	
Current interest-bearing liabilities		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**

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 25, 2022. Annual remuneration is USD 36 thousands for the Chairman and USD 21 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 Technology Officer ("CTO"), 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").

The remuneration for the executive management consists of fixed base salary ("FBS"), short term incentive ("STI") (cash-component) and a long term incentive ("LTI") (equity component) retention scheme consisting of a share option program.

Fixed Base Salary (FBS)

FBS allows the Group to attract and recruit executives that are necessary for the long-term profitability and sustainability of the Group.

FBS shall reflect the individual's position and degree of responsibility. The size of the FBS shall reflect market rates at the relevant location. The FBS shall be competitive with relevant businesses within the industry, and shall take into account inter alia the scope and responsibility associated with the position, as well as the skills, experience and performance of senior executive. The FBS has no specified maximum level.

Short term incentive – Cash-component/Bonuses (STI)

The STI is determined 50% on achievement related to qualitative key performance indicators ("KPI's") set by the Board and 50% discretionary set by the Board. In 2022 the STI for the CEO was 60% on achievement related to qualitative key performance indicators ("KPI's") set by the Board and 40% discretionary set by the Board.

The STI shall be evaluated and documented on an annual basis. The maximum STI is limited to 40% of the CEOs FBS and 30% for other members of the executive team (excl. SVP, Airthings for Consumer and SVP, Airthings for Business). SVP, Airthings for Consumer and SVP, Airthings for Business have an agreement of sales bonus up to 30% of FBS. The criteria for bonus achievement are based on the sales teams' total budgets for the year.

Long term incentive –
Equity component/Share option plan (LTI)

Members of the management team have been granted share options under the Group's share option plan, described in note 6.7. The share options held by the management team is summarized further below.

Pension

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

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 2022 (USD 1,000 [1]):

Name	Title	Salary	Bonus	Pension	Other	Total
Øyvind Birkenes	CEO	231	69	8	125	434
Jeremy Gerst	Current CFO[2]	128	-	8	1	137
Magnus Navdal Bekkelund	Former CFO[3]	34	8	2	0	44
Audhild Andersen Randa	COO	141	26	8	1	176
Erlend Bolle	CTO	126	24	7	1	158
Lauren Pedersen	CMO	148	28	8	-	184
Anders Follerås	Current SVP, Airthings for Consumer[4]	72	0	4	1	77
Torje Carlsson	Former SVP, Airthings for Consumer[5]	69	8	4	1	82
Pål Berntsen	SVP, Airthings for Business	142	40	8	1	192
Anita Øverbekk	HR Director[6]	175	-	-	-	175
Total		**1,265**	**210**	**60**	**196**	**1,659**

[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 April, 2022.
[3] Compensation is only reflected for the period that the executive was a part of management which was until 31 March, 2022.
[4] Compensation is only reflected for the period that the executive was a part of management which was from 1 July, 2022.
[5] Compensation is only reflected for the period that the executive was a part of management which was until 30 June, 2022.
[6] Hired externally and invoiced monthly.

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	285
Magnus Navdal Bekkelund	Current CFO[2]	63	-	2	0	65
Audhild Andersen Randa	Current COO[2]	63	-	2	0	66
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	0	95
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 Board of Directors for the year ended 31 December (USD 1,000 [1]):

Name	Title	2022	2021
Geir Førre	Chairman[2]	29	12
Aksel Lund Svindal	Board member[3]	21	12
Liv Dyrnes	Board member	21	12
Lars Boilesen	Board member	21	12
Emma Tryti	Board member	23	-
Karin Berg	Board member	23	-
Fredrik Thoresen	Board member[4]	10	-
Anlaug Underdal	Board member – Employee representative[5]	-	-
Tore Rismyhr	Board member – Employee representative	-	-
Audhild Andersen Randa	Former Board member[6]	-	-
Total compensation to Board of Directors		**151**	**48**

[1] Compensation is paid in NOK, with the USD equivalent determined based on the average exchange rate during the year.
[2] Board member in 2021
[3] Chairman of the board in 2021
[4] New board member from the general meeting held on 25. May 2022.
[5] Total remuneration relates to options exercised during the period (no exercises in 2021):
– 10 000 options (avg. strike price: NOK 0.70)
[6] Board member until July 2021

Shares held by the management team:

Name	Title	31.12.2022	31.12.2021
Øyvind Birkenes[1]	CEO	3,124,114	2,824,114
Jeremy Gerst	Current CFO	-	-
Magnus Navdal Bekkelund	Former CFO	-	7,500
Audhild Andersen Randa	Current COO	32,500	25,000
Erlend Bolle	CTO	4,819,722	4,819,722
Lauren Pedersen[2]	CMO	435,621	315,621
Torje Carlsson[3]	SVP Airthings for Consumer	610,000	360,000
Pål Berntsen[4]	SVP Airthings for Business	530,200	518,200
Anders Folleràs[5]	SVP Airthings for Consumer	412,800	-
Total		**9,964,957**	**8,870,157**

[1] Privately and through Longfellow Invest AS
[2] Through Lato Invest AS
[3] Privately and through Carlsson Invest AS
[4] Privately and through Dube Invest AS
[5] Privately and through Folleràs Holding AS

Shares held by the Board of Directors:

Name	Title	31.12.2022	31.12.2021
Geir Førre	Chairman of the Board[1]	34,780,120	25,826,543
Aksel Lund Svindal	Board member[2]	1,187,366	1,141,978
Liv Dyrnes	Board member	35,000	17,500
Lars Boilesen	Board member	100,000	100,000
Emma Tryti	Board member	-	-
Karin Berg	Board member	-	-
Fredrik Thoresen	Board member[4]	283,780	283,780
Anlaug Underdal	Board member - Employee representative	56,000	46,000
Tore Rismyhr	Board member - Employee representative	164,300	63,800
Audhild Andersen Randa	Former Board member[3]	-	-
Total		**36,606,566**	**27,479,601**

[1] Through Firda AS. Board member in 2021
[2] Through A Management. Chairman of the Board in 2021
[3] Board member until July 2021
[4] Through RWS AS

Share options held by the management team as at 31.12.2022:

Name	Title	Outstanding options	Strike price (NOK)	Remaining life (years)
Øyvind Birkenes	CEO	2,086,600	0.51–8.56	2.66–6.01
Jeremy Gerst	Current CFO	292,000	3.69–10.00	3.75–4.5
Audhild Andersen Randa	COO	192,000	3.69–8.56	3.42–4.5
Erlend Bolle	CTO	118,000	3.69–8.56	3.42–4.5
Lauren Pedersen	CMO	345,000	3.36–8.56	3.42–7.1
Anders Folleraås	Current SVP, Airthings for Consumer	162,000	1.45–8.56	3.42–5.92
Pål Berntsen	SVP, Airthings for Business	601,200	1.45–8.56	3.42–6
Anita Øverbekk	HR Director	75,000	3.69–8.56	3.42–4.5
Total		**3,871,800**		

Share options held by the management team as at 31.12.2021:

Name	Title	Outstanding options	Strike price (NOK)	Remaining life (years)
Øyvind Birkenes	CEO	1,936,600	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		**3,767,384**		

Share options held by the Board of Directors as at 31.12.2022:

Name	Title	Outstanding options	Strike price (NOK)	Remaining life (years)
Geir Førre	Chairman	-	-	-
Aksel Lund Svindal	Board member	100,000	3.36	6.25
Liv Dyrnes	Board member	-	-	-
Lars Boilesen	Board member	-	-	-
Emma Tryti	Board member	-	-	-
Karin Berg	Board member	-	-	-
Anlaug Underdal	Employee representative	75,800	0.70–8.56	4.31
Tore Rismyhr	Employee representative	74,670	3.36–8.56	5.63
Total		**250,470**		

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**		

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 6.6 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 2022 (USD 1,000)	Board Member	Other Shareholders	Total
Income from related parties	-	3,918	**3,918**
Payments to related parties	139	1,302	**3,277**
Related party receivables	-	1,503	**1,504**

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

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

Payments to related parties include remuneration paid to management and the Board (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.

- RN222 Inc. is a distributor of the Group's products in Canada, and a shareholder of the Group. In addition, 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.
- Workspace Norge AS is owned by Energy Control Holding AS, which holds 100% of Energy Control AS, a company holding shares in the Group.The beneficial owner of Energy Control AS is employed in the Group.
- Firda AS is the largest shareholder of the Group, and is owned by Geir Førre (Chair of the Board in 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.

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

RCF

Airthings announced a USD 8 million revolving credit facility (RCF) with Danske bank on 23 January 2023. The RCF will support Airthings's growth ambitions across both the Consumer and Airthings for Business (AfB) segments. the new financing agreement has been entered on favorable commercial terms for a one-year period with annual renewal.

Share capital increase

The board of directors of the Company has resolved to propose a private placement of new shares to raise NOK 75 million. The offer is received from the company's largest shareholders Firda AS and A Management AS. The private placement is planned to be conducted after close of trading on the Oslo Stock Exchange on 13 February 2023. Firda AS, together with A Management AS, has committed to subscribe for and be allocated NOK 50 million in such private placement and has agreed to guarantee full subscription of the remaining NOK 25 million at the subscription price of NOK 3.20. Completion of the private placement will be subject to approval by an extraordinary general meeting of the Company. Following completion of the private placement, the board will consider a subsequent offering of new shares to shareholders who hold shares below a certain threshold and were not allocated shares in the private placement.

Change of strike price for employee share options

On the 20th of February 2023 Airthings announced a change in strike price for employee share options. The company has agreed to adjust the strike-price for all Airthings' employees' option agreements with a strike price above NOK 3.20. The total number of options to be adjusted is 5 736 232. The new strike price shall be NOK 3.2. The adjustment shall be made as soon as practical after the extraordinary general meeting that will be held on March 9, 2023, and is contingent on the extraordinary general meeting approving the proposed share capital increase. There have been no other significant non-adjusting events subsequent to the reporting date.

Alternative performance measures

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

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

The Group applies the following APMs:

Annual recurring revenue (ARR)

ARR is the value of annualized sales from all active subscriptions, licenses and service contracts within the Airthings for Business and Professional segments. The calculation is based on monthly subscription fees 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 2022 and 2021 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)	2022	2021
MRR December	300	239
ARR	**3,602**	**2,866**

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)	2022	2021
Revenue	35,424	33,671
EBITDA	**-11,785**	**-8,035**
EBITDA margin	**-33%**	**-24%**

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)	2022	2021
Revenue	35,424	33,671
Cost of goods sold	14,465	13,041
Gross profit	**20,959**	**20,630**
Gross profit margin	**59%**	**61%**

AIRTHINGS

Airthings ASA

Parent Company Financials

Table of Contents

Income statement

For the years ended 31 December			
Amounts in NOK 1,000	**Notes**	**2022**	**2021**
Revenues	2.1, 4.2	319,699	285,844
Other operating income	2.2	0	240
Total revenue and other operating income		**319,699**	**286,084**
Cost of sales		142,174	115,694
Employee benefit expenses	2.3	144,415	115,418
Other operating expenses	2.3, 2.4, 4.2	162,459	134,788
Operating profit or loss before depreciation and amortisation (EBITDA)		**-129,349**	**-79,816**
Depreciation and amortization	5.1, 5.3	25,274	10,411
Operating profit (loss) / EBIT		**-154,623**	**-90,226**
Finance income	2.5	12,890	4,161
Finance costs	2.5	69	436
Net financial items		**12,821**	**3,725**
Profit (loss) before tax		**-141,802**	**-86,501**
Tax expense	2.6	-30,277	-17,805
Profit (loss) for the year		**-111,525**	**-68,696**

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

To (from) other equity	-111,510	-68,696
Total allocated	**-111,510**	**-68,696**

Statement of financial position

Amounts in NOK 1,000	Notes	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	5.1, 5.2	15,096	20,758
Intangible assets	5.1	23,989	21,547
Deferred tax asset	2.6	67,215	36,938
Property, plant and equipment	5.3	5,191	6,270
Investments in subsidiaries	4.1	1,367	1,150
Receivables group companies	4.2	67,215	46,635
Other non-current assets	3.2	1,232	9,484
Total non-current assets		**181,305**	**142,782**
Current assets			
Inventories	3.1	174,124	94,670
Trade receivables	3.2	72,926	83,150
Other receivables		40,515	14,112
Bank deposits, cash and cash equivalents	6.1	116,528	359,968
Total current assets		**404,093**	**551,901**
TOTAL ASSETS		**585,398**	**694,683**

Amounts in NOK 1,000	Notes	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity			
Share capital	6.3	1,740	1,718
Treasury shares		0	0
Share premium		716,129	713,145
Other capital reserves		18,636	15,137
Other equity		-234,514	-122,989
Total equity		**501,991**	**607,012**
Non-current liabilites			
Non-current provisions	3.2	1,232	9,609
Total non-current liabilites		**1,232**	**9,609**
Current liabilities			
Interest-bearing liabilites		0	0
Trade payables		33,555	40,288
Income tax payable		0	0
Other payables	3.3	10,187	8,259
Provisions	3.3	38,434	29,516
Total current liabilities		**82,176**	**78,062**
Total liabilities		**83,407**	**87,671**
TOTAL EQUITY AND LIABILITIES		**585,398**	**694,683**

Oslo, March 29, 2023

Geir Førre
Chairman of the Board

Aksel Lund Svindal
Board member

Lars Boilesen
Board member

Emma Tryti
Board member

Liv Dyrnes
Board member

Fredrik Thoresen
Board member

Niklas Copley Norin
Board member

Karin Berg
Board member

Øyvind Birkenes
CEO

Chloe Emma Waller
Board Member

Statement of cash flows

For the years ended 31 December			
Amounts in NOK 1,000	**Notes**	**2022**	**2021**
Cash flows from operating activities			
Profit (loss) before tax		**-141,802**	**-86,501**
Depreciation and amortization	5.1, 5.2, 5.3	25,274	10,411
Share-based payment expense		3,499	5,225
Working capital adjustments:			
Changes in inventories	3.1	-79,454	-56,963
Changes in trade receivables		10,224	-27,000
Changes in trade payable		-6,732	**16,475**
Changes in other liabilities and receivables		-36,509	36,830
Other items			
Tax paid			0
Net cash flows from operating activities		**-225,500**	**-101,522**
Cash flows from investing activities			
Purchase of intangible assets and development expenditures	5.1, 5.2	-19,952	-45,727
Purchase of property, plant and equipment	5.3	-995	-3,611
Purchase of shares in subsidiaries, net of cash acquired			0
Payments on long-term receivables			0
Net cash flow from investing activities		**-20,946**	**-49,339**
Cash flow from financing activities			
Proceeds from issuance of equity	6.3	3,006	1,693
Proceeds from sales of own shares			0
Repayment of borrowings			-16,222
Net cash flows from financing activities		**3,006**	**-14,529**
Net increase/(decrease) in cash and cash equivalents		**-243,440**	**-165,390**
Cash and cash equivalents at 1 January		359,968	525,358
Cash and cash equivalents at 31 December		**116,528**	**359,968**

Statement of changes in equity

Amounts in NOK 1,000	Share capital	Treasury shares	Share premium	Other capital reserves	Other Equity	Total
Equity 1 January 2021	**1,706**	**0**	**711,464**	**9,912**	**-51,817**	**671,265**
Capital increase February					5	513
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**
Equity 1 January 2022	**1,718**	**0**	**713,145**	**15,137**	**-122,989**	**607,012**
Capital increase February	6		1,013			1,018
Capital increase May	5		511			515
Capital increase July	2		188			190
Capital increase October	10		1,273			1,282
Share based payment				3,499		3,499
Result for the year					-111,525	-111,525
Equity 31 December 2022	**1,740**	**0**	**716,129**	**18,636**	**-234,514**	**501,991**

* 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 Oslo Stock Exchange, with the ticker symbol AIRX. 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 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 29 March 2023.

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 aredistributed 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

Revenue (NOK 1,000)	2022	2021
Revenues from sale of goods (hardware)	302,537	277,458
Revenues from services performed (software)	17,162	8,385
Total	**319,699**	**285,844**

Geographical distribution (NOK 1,000)	2022	2021
EMEA	99,107	78,738
North America (USA and Canada)	220,593	207,105
Total	**319,699**	**285,844**

2.2 Other operating income

Grants

Airthings ASA received tax refunds (Skattefunn) of NOK 4.75 million in 2022 (2021: 4.75 million.) In addition, the Company received funding from Innovation Norway in 2021. 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)	2022	2021
Innovation Norway	0	240
Total	**0**	**240**

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)	2022	2021
Salaries/wages	127,727	93,845
Non-cash share based payment	3,280	4,757
Social security fees	16,967	13,562
Pension expenses	5,665	3,725
Other benefits	2,840	3,235
Skattefunn	-2,375	-2,375
Capitilized personell cost	-9,687	-1,332
Total	**144,415**	**115,418**

Average numbers of full-time equivalents	**107**	**96**

Pension obligations

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

At 31 December 2022, Airthings ASA's pension scheme had 117 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)	2022	2021
Statutory audit	1,127	888
Tax advisory and other services	580	386
Total remuneration to auditors	**1,707**	**1,274**

2.4 Other operating expenses

Lease

Lease object (NOK 1,000)	Expiration of agreement	Annual lease
Office space in Oslo	31.05.2027	7,649
Office space in Bergen	30.06.2026	216
Lease of office equipment	31.11.2022	8
Total		**7,873**

2.5 Finance income and cost

Finance income (NOK 1,000)	Notes	2022	2021
Interest income from group entities	4.2	1,978	1,171
Other interest income		2,513	875
Profit on foreign exchange		8,399	2,114
Total finance income		**12,890**	**4,161**

Finance costs (NOK 1,000)	2022	2021
Other interest expenses	69	120
Other financial expenses	1	316
Loss on foreign exchange	0	0
Total finance costs	**69**	**436**

Foreign exchange (NOK 1,000)	2022	2021
Foreign exchange gain	35,616	17,239
Foreign exchange loss	27,216	15,125
Net foreign exchange gain (loss)	**8,399**	**2,114**

2.6 Income tax

This year's tax expense (NOK 1,000)	2022	2021
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Prior period adjustment	0	-22
Change in deferred tax asssets	-30,277	-17,783
Tax expense on ordinary profit/loss	**-30,277**	**-17,805**

Taxable income (NOK 1,000)	2022	2021
Ordinary result before tax	-141,802	-86,501
Permanent differences	-1,480	9
Change in temporary differences	19,618	7,964
Taxable income	**-123,664**	**-78,529**

Payable tax in the balance (NOK 1,000)	2022	2021
Payable tax on this years's result	0	0
Tax on reversed losses	0	0
Total payable tax in the balance	**0**	**0**

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)	2022	2021	Difference
Tangible assets	14,631	32,474	17,842
Inventory	0	0	0
Receivables	-2,658	-882	1,776
Total	**11,974**	**31,592**	**19,618**
Accumulated loss to be carried forward	-302,399	-178,735	123,664
Tax effects as part of merger	15,096	20,758	5,661
Basis for deferred tax assets	-305,522	-167,900	137,621
Deferred tax assets (22%)	**-67,215**	**-36,938**	**30,277**

Section 3 – Balance sheet items

3.1 Inventories

Inventory (NOK 1,000)	2022	2021
Finished goods	119,057	64,635
Components	55,067	30,035
Acquisition cost 31 December	**174,124**	**94,670**
Inventories valued at purchase cost	119,057	94,670
Inventories valued at net realisable value	119,057	94,670
Write-down for obsolescence	**0**	**0**

The increase in inventories in 2022 is a result of increased components prices coupled with a strategy of securing supply in a pressed semiconductor market.

In 2022, there was a write down of finished goods of NOK 2144 thousands related to the derecognition of the Airtight technology. There were no write-downs of finished goods or components in 2021.

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)	2022	2021
Inter company loans	67,215	46,635
Employers provisions related to share based compensation	1,232	9,484
Other receivables to employees	13	
Total	**68,460**	**56,119**

Long-term debt and debt secured by collateral (NOK 1,000)	2022	2021
Long-term debt with more than five year maturity		
Long-term debt secured by collateral		
Short-term debt secured by collateral		
Total	**0**	**0**

Book value of pledged assets (NOK 1,000)	2022	2021
Equipment, fixtures and fittings and other movables		6,270
Inventories	174,124	94,670
Trade receivables	72,926	83,150
Total	**247,050**	**184,090**

Pledged amount (NOK 1,000)	2022	2021
Pledge on inventories	10,000	10,000
Pledge on operating assets	10,000	10,000
Pledge on accounts receivables	10,000	10,000
Total	**30,000**	**30,000**

3.3 Provisions and other payables

Other payables (NOK 1,000)	2022	2021
Public duty payable	10,187	8,259
Total	**10,187**	**8,259**

Provisions (NOK 1,000)	2022	2021
Wages and holiday pay (included tax)	17,425	13,239
Other provisions	11,804	8,389
Accrued revenue	9,204	7,888
Total	**38,434**	**29,516**

Total other payables and provisions	**48,620**	**37,774**

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	-488,063	150,517	-337,546
Airthings AB	Sweden	100%	SEK	292,942	1,214,074	1,507,016

Book value of investment in balance sheet of Airthings ASA	Amount (NOK 1,000)
Airthings America INC	1,131
Airthings AB	236
Total	**1,367**

4.2 Related parties

Receivables on subsidiary Airthings America INC (NOK 1,000)	2022	2021
Long term loan to Airthings America INC	61,060	44,937
Long term loan to Arthings AB	6,155	1,698

Transactions with subsidiary Airthings America INC (NOK 1,000)	2022	2021
Sale of goods to Airthings America INC	77,464	53,750
Sale of goods to Airthings AB	8,661	3,984
Purchase of services and cost allocation from Arthings America INC	13,021	4,344
Purchase of services and cost allocation from Arthings AB	5,831	3,796
Loan interest Arthings America INC	1,900	1,125
Loan interest Arthings AB	77	47

Transactions with shareholders (NOK 1,000)	2022	2021
Commissions and accrued cost invoiced from Rn222 INC	21,725	8,038
Sale of goods to Rn222 Inc	38,656	51,387
Rent of premises from Energy Control AS	216	192
Other fees invoiced from Energy Control AS	22	
Sale of goods to Energy Control AS	2,516	966
Fees invoiced from Firda AS	208	502

Section 5 – Fixed assets

5.1 Intangible assets

Amounts in NOK 1,000	Goodwill	Internally generated intagible assets	Software and systems	Technology	Total
Acquisition cost 1 January	26,419	-	**9,544**	**16,036**	**51,998**
Additions	-	11,316	1,569	7,065	19,951
Disposals	-	-	-	-	-
Acquisition cost 31 December	**26,419**	**11,316**	**11,113**	**23,101**	**71,949**
Accumulated depreciations 31 December	11,322		5,272	16,269	32,864
Balance 31 December	**15,096**	**11,316**	**5,841**	**6,832**	**39,086**
Depreciation in the year	5,661		2,868	775	9,304
Write-down in the year	-	-	-	13,896	13,896
Depreciation rate (%)	20%		20%	20%	
Depreciation plan	Linear		Linear	Linear	
Economic useful life	5 Years		5 Years	5 Years	

5.2 Business combinations

2022

No business combinations or significant transactions took place in 2022.

2021

Merger with Airtight AS

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

Amounts in NOK 1,000	Property, plant and equipment	Total
Acquisition cost 1 January	**10,372**	**10,372**
Additions	995	995
Disposals		
Acquisition cost 31.12	**11,367**	**11,367**
Accumulated depreciations 31 December	6,176	6,176
Book value 31.12	**5,191**	**5,191**
Depreciation in the year	2,074	2,074
Depreciation rate (%)	20%	
Depreciation plan	Linear	
Economic 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)	2022	2021
Restricted tax deductions	5,670	4,579
Restricted cash	5,667	5,667
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

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.

Liquidity

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 low.

Credit

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 Comapny may also seek advance payments to offset risk on trade receivables in the other segments. Additionally, the Company manages its credit risks by trading with creditworthy third parties. 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.

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 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.

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 Company'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.

6.3 Share capital and shareholders information

The share capital of Airthings ASA as of 31 December 2022 was NOK 1,739,923.46 consisting of 173,992,346 ordinary shares at NOK 0.1 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

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

RCF

Airthings announced a USD 8 million revolving credit facility (RCF) with Danske bank on 23 January 2023. The RCF will support Airthings's growth ambitions across both the Consumer and Airthings for Business (AfB) segments. the new financing agreement has been entered on favorable commercial terms for a one-year period with annual renewal.

Share capital increase

The board of directors of the Company has resolved to propose a private placement of new shares to raise NOK 75 million. The offer is received from the company's largest shareholders Firda AS and A Management AS. The private placement is planned to be conducted after close of trading on the Oslo Stock Exchange on 13 February 2023. Firda AS, together with A Management AS, has committed to subscribe for and be allocated NOK 50 million in such private placement and has agreed to guarantee full subscription of the remaining NOK 25 million at the subscription price of NOK 3.20. Completion of the private placement will be subject to approval by an extraordinary general meeting of the Company. Following completion of the private placement, the board will consider a subsequent offering of new shares to shareholders who hold shares below a certain threshold and were not allocated shares in the private placement.

Change of strike price for employee share options

On the 20th of February 2023 Airthings announced a change in strike price for employee share options. The company has agreed to adjust the strike-price for all Airthings' employees' option agreements with a strike price above NOK 3.20. The total number of options to be adjusted is 5 736 232. The new strike price shall be NOK 3.2. The adjustment shall be made as soon as practical after the extraordinary general meeting that will be held on March 9, 2023, and is contingent on the extraordinary general meeting approving the proposed share capital increase. There have been no other significant non-adjusting events subsequent to the reporting date.

BDO AS
Munkedamsveien 45
PO Box 1704 Vika
0121 Oslo
Norway

Independent Auditor's Report

To the Annual Shareholders meeting of Airthings ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Airthings ASA.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2022, 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, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2022, 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.	• 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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. Our opinion is consistent with our additional report to the Audit Committee.

Penneo Dokumentnøkkel: 03DZY-6K55V-L71QG-YPLST-J2KMB-0ADBS

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 relevant laws and regulations in Norway and the 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of Airthings ASA for 7 years from the election by the general meeting of the shareholders on 5 December 2016 for the accounting year 2016.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	**How the key audit matter was addressed in the audit**
Inventory valuation and existences As at 31 December 2022, the Group has recognized inventories of USD 18.7 million net of allowance for obsolete finished goods of USD 223 thousands. As described in note 3.1 to the financial statements, inventories are carried at the lower of cost and net realizable value. We identified inventory as a key audit matter due to its materiality and the risk of misstatement associated with the valuation and existence of inventory.	Our audit included but was not limited the following procedures: • We obtained an understanding of the company's inventory policies and procedures, including the methods used to value inventory and the company's system for tracking and monitoring inventory. • We performed physical inventory observations at selected locations and compared the results to the inventory records to evaluate the completeness and accuracy of the company's inventory counts. • We tested the company's inventory controls, including its procedures for receiving, storing, and shipping inventory. • We performed substantive audit procedures in order to test the adequacy of inventory valuation at the lower of cost and net realizable value at reporting date.
Recognition and recoverability of deferred tax assets As at 31 December 2022, the Group has recognized deferred tax assets of USD 7.1 million. In note 2.8 to the financial statements, the Group describes that deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which tax losses can be utilized. We identified deferred tax assets as a key audit matter due to its materiality, and the significant judgments and underlying assumptions applied by the management in determining the recoverability of deferred tax assets.	Our audit included but was not limited the following procedures: • We obtained an understanding of the Group's processes relating to the calculation and valuation of deferred taxes • We evaluated the Group's forecasts of future taxable profit and assessed the reasonableness of the assumptions used. • We reviewed the Group's analysis of the recoverability of deferred tax assets and evaluated the likelihood of realization. • We assessed the adequacy of the disclosures related to deferred tax assets, including the description of the underlying assumptions and judgments made by management.

Penneo Dokumentnøkkel: 03DZY-6K55V-L71QG-YPLST-J2KMB-0ADBS

Other information

The Board of Directors and the Managing Director (management) are 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 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 Directors' 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 statutory requirements.

Our opinion on the Board of Directors' report applies correspondingly for the statement on Corporate Governance.

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

Management is 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 the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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.

Penneo Dokumentnøkkel: 03DZY-6K55V-L71QG-YPLST-J2KMB-0ADBS

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

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Airthings ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Airthings ASA 2022-12-31.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

BDO AS

Børre Skisland
State Authorised Public Accountant
(This document is signed electronically)

Penneo Dokumentnøkkel: 03DZY-6K55V-L71QG-YPLST-J2KMB-0ADBS

PENN30

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Børre Skisland
State Authorised Public Accountant
On behalf of: BDO AS
Serial number: 9578-5998-4-872903
IP: 188.95.xxx.xxx
2023-03-29 17:23:15 UTC

bank ID

Penneo document key: 03DZY-6K55V-L71QG-YPLST-J2KMB-0ADBS

This document is digitally signed using Penneo.com. The digital signature data within the document is secured and validated by the computed hash value of the original document. The document is locked and timestamped with a certificate from a trusted third party. All cryptographic evidence is embedded within this PDF, for future validation if necessary.

How to verify the originality of this document
This document is protected by an Adobe CDS certificate. When you open the document in Adobe Reader, you should see, that the document is certified by **Penneo e-signature service <penneo@penneo.com>**. This guarantees that the contents of the document have not been changed.

You can verify the cryptographic evidence within this document using the Penneo validator, which can be found at **https://penneo.com/validator**


AIRTHINGS
Breathe better. Live better.