

Airofit A/S

Rønnegade 1, 5
2100 København Ø

CVR no. 37 61 87 72

Annual report for 2021

(6th Financial year)

Adopted at the annual general meeting
on 20 June 2022

Kim Hamby Håkonsson
chairman

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Airofit A/S for the financial year 1 January - 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 20 June 2022

Executive board

Christian Tullberg Poulsen
Director

Supervisory board

Martin Albert Bernhard Christian Hansen
Chairman

Jens Ørnbo

Andreas Friis-Liechti

Lene Gerlach

Kim Hamby Håkonsson

Peder Nørrekær Sahlholt

Independent auditor's report

To the shareholder of Airofit A/S

Opinion

We have audited the financial statements of Airofit A/S for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the 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 and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company 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 and the additional requirements applicable in Denmark 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Hellerup, 20 June 2022

CVR no. 33 25 68 76



Søren Jonassen
Statsautoriseret revisor
MNE no. mne18488

Company details

The company

Airofit A/S
Rønnegade 1, 5
2100 København Ø

CVR no.: 37 61 87 72

Reporting period: 1 January - 31 December 2021

Incorporated: 18 April 2016

Domicile: Copenhagen

Supervisory board

Martin Albert Bernhard Christian Hansen, chairman
Jens Ørnbo
Andreas Friis-Liechti
Lene Gerlach
Kim Hamby Håkonsson
Peder Nørrekær Sahlholt

Executive board

Christian Tullberg Poulsen, director

Auditors

Crowe
Statsautoriseret Revisionsinteressentskab v.m.b.a.
Rygårds Allé 104
2900 Hellerup

Management's review

Business review

Airofit A/S designs, manufactures and markets smart and passive Respiratory Muscle Trainers and accessories, and sells a variety of related services and bundles. Airofit A/S is a Danish corporation established in 2016.

Financial review

The company's income statement for the year ended 31 December 2021 shows a profit of DKK 1.0 million

Balance sheet at December 31, 2021 total assets were DKK 41.9 million which is an increase of DKK 19,3 million compared to December 31, 2020. The increase was primarily due to an increase in intangible/immaterial assets as a result of continued investments into product development, increased inventory and deposits towards our supplier to accommodate the continued growth.

At December 31, 2021 equity amounted to DKK 14,6 million which is a increase of DKK 4,5 million compared to December 31, 2020. The increase was mainly due to conversion of loan with a share premium of 3.4 million and the additional investments into product development.

Products

Airofit Pro Sport® is Airofit A/S's line of smart respiratory muscle trainers aimed at athletes. The Airofit System is based on our unique training system.

Airofit Active® is Airofit A/S's line of passive training units with a guided training APP. It was introduced in September 2021.

The science behind the modules in the training app is based on proven Respiratory Muscular Training Protocols developed by thought leaders in the respiratory training space, as well as input from medical doctors, World Champion athletes and top mental state coaches.

Airofit's training app guides you through specific training protocols, tracks your baseline capacities and progress, as well as allows you and your coach if needed, to view your training for compliance and recommendations.

Airofit Pro Sport® and Airofit Active® is being used by top level athletes around the world with great results. During 2021, Airofit A/S marketed the Airofit Pro Sport® and Airofit Active® as well as released multiple updates and an added premium subscription solution to the Airofit Training App.

This resulted in our second full year Jan. 21 to Dec. 21 where the Airofit Systems grew in sales and market shares. Our mission is to become a market leader regarding RMT devices and to help people breathe better through the Airofit Breathing Universe.

Management's review

Intellectual Property

Airofit A/S currently holds a collection of intellectual property rights relating to certain aspects of its hardware devices, accessories, software and services. This includes patents, copyrights, trademarks, and other forms of intellectual property rights in the EU, U.S. and other countries.

Competition

The markets for Airofit A/S's products and services still remain undeveloped and are characterized by little or no competition. Airofit A/S expects new smart device competitors to enter the breathing market in 2022 and forward, resulting in a wider customer segment that will understand and know about Respiratory Muscle Training and its benefits on both the sports and medical segments. Airofit A/S will continue to focus on being the top product in the market.

Airofit A/S is a unique concept as it designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications and related services.

Risk Factors

COVID-19 has spread rapidly. In 2021 Airofit A/S experienced severe disruptions to its manufacturing, supply chain and logistical services provided by outsourcing partners, resulting in supply shortages that affected sales worldwide and a higher COGS on each product.

We see a potential risk in the current and future market situation, as the trends for lead-time and pricing is continuously rising. We have mitigated some of the risk by placing orders in early 2021 that will cover projected sales for all of 2022 as well as Q1 in 2023.

All Airofit A/S's hardware products are manufactured by outsourcing partners located primarily in Denmark and EU, but the components are sourced worldwide and can as such be affected by Covid-19 related delays.

Sales

During 2021 Airofit A/S has worked hard to find retail partners who can lift the Airofit Brand in their respective sales channels and geo-localizations. Airofit A/S has also seen that more customers and companies are more aware of the benefits of training with respiratory muscle training devices, as it can potentially help people with post Covid-19 syndrome.

Outlook:

We are planning to grow our manufacturing and logistic capacity as rapidly as possible. Over a multi-year horizon, we expect significant annual growth in capacity and sales.

The rate of growth will depend on our ability of penetrate new segments/market, where equipment capacity, operational efficiency and capacity and stability of the supply chain is a key to the success

Management's review

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Accounting policies

The annual report of Airofit A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

Gross profit is a summary of net sales less costs to agents and other external costs.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Accounting policies

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other external costs also comprise research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Financial income and expenses

Financial income and expenses are recognized in the income statement with the amounts relating to the financial year. Financial items comprise interest income and expenses as well as supplements and reimbursement under the advance tax scheme, etc.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Development projects, patents and licences

Development projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 10 years.

Tangible assets

Other plant, equipment and fixtures and fittings are measured at cost less accumulated amortization and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Accounting policies

	Useful life
Other fixtures and fittings	2-5 years

Assets costing less than DKK 30.700 are expensed in the year of acquisition.

Investments in subsidiaries

Investments in subsidiaries, associates and participating interests are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method. Negative goodwill is recognised in the income statement on acquisition. Where the negative goodwill relates to contingent liabilities having been taken over, the negative goodwill is not recognised until the contingent liabilities have been settled or no longer exist.

Investments in subsidiaries, associates and participating interests with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Acquirees are accounted for using the purchase method, see the above description of consolidated financial statements and calculation of goodwill.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Accounting policies

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

The company and all its Danish group entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable income. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities, which include debt to suppliers and other debt, are measured at amortized cost, which usually corresponds to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Income statement
1 January 2021 - 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Gross profit		11.181.353	6.757
Staff costs	1	<u>-8.625.784</u>	<u>-4.283</u>
Profit/loss before amortisation/depreciation and impairment losses		2.555.569	2.474
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1.298.861</u>	<u>-1.124</u>
Profit/loss before net financials		1.256.708	1.350
Financial costs		<u>-719.729</u>	<u>-402</u>
Profit/loss before tax		536.979	948
Tax on profit/loss for the year	2	<u>472.338</u>	<u>-220</u>
Profit/loss for the year		<u>1.009.317</u>	<u>728</u>
 Recommended appropriation of profit/loss			
Transferred to reserve for development expenditure		6.907.547	-594
Retained earnings		<u>-5.898.230</u>	<u>1.322</u>
		<u>1.009.317</u>	<u>728</u>

Balance sheet at 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Assets			
Completed development projects		8.545.238	8.918
Development projects in progress		<u>9.466.751</u>	<u>806</u>
Intangible assets	3	<u>18.011.989</u>	<u>9.724</u>
Other fixtures and fittings, tools and equipment		<u>1.134.615</u>	<u>452</u>
Tangible assets	4	<u>1.134.615</u>	<u>452</u>
Investments in subsidiaries		931.801	970
Deposits		<u>376.500</u>	<u>491</u>
Fixed asset investments		<u>1.308.301</u>	<u>1.461</u>
Total non-current assets		<u>20.454.905</u>	<u>11.637</u>
Raw materials and consumables		2.193.549	1.006
Finished goods and goods for resale		3.175.169	752
Prepayments for goods		<u>2.964.015</u>	<u>467</u>
Stocks		<u>8.332.733</u>	<u>2.225</u>
Trade receivables		1.270.654	1.209
Other receivables		1.213.562	156
Corporation tax		2.024.633	0
Prepayments		<u>824.000</u>	<u>0</u>
Receivables		<u>5.332.849</u>	<u>1.365</u>
Cash at bank and in hand		<u>7.765.062</u>	<u>7.342</u>
Total current assets		<u>21.430.644</u>	<u>10.932</u>
Total assets		<u><u>41.885.549</u></u>	<u><u>22.569</u></u>

Balance sheet at 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Equity and liabilities			
Share capital		861.772	768
Other statutory reserves		14.080.054	7.173
Retained earnings		-302.009	2.204
Equity		<u>14.639.817</u>	<u>10.145</u>
Provision for deferred tax		3.662.114	2.110
Total provisions		<u>3.662.114</u>	<u>2.110</u>
Banks		7.861.280	0
Other credit institutions		3.637.391	3.000
Total non-current liabilities	5	<u>11.498.671</u>	<u>3.000</u>
Other credit institutions	5	762.307	3.396
Trade payables		7.358.155	1.387
Payables to subsidiaries		955.706	975
Other payables		3.008.779	1.556
Total current liabilities		<u>12.084.947</u>	<u>7.314</u>
Total liabilities		<u>23.583.618</u>	<u>10.314</u>
Total equity and liabilities		<u>41.885.549</u>	<u>22.569</u>
Contingent liabilities	6		
Mortgages and collateral	7		

Statement of changes in equity

	<u>Share capital</u>	<u>Other statutory reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2021	768.315	7.172.507	2.204.138	10.144.960
Cash capital increase	93.457	0	3.392.083	3.485.540
Net profit/loss for the year	0	6.907.547	-5.898.230	1.009.317
Equity at 31 December 2021	<u>861.772</u>	<u>14.080.054</u>	<u>-302.009</u>	<u>14.639.817</u>

Notes

	<u>2021</u>	<u>2020</u>
	DKK	TDKK
1 Staff costs		
Wages and salaries	8.485.951	4.232
Other social security costs	<u>139.833</u>	<u>51</u>
	<u>8.625.784</u>	<u>4.283</u>
Average number of employees	<u>20</u>	<u>10</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the executive board has not been disclosed.

2 Tax on profit/loss for the year		
Current tax for the year	-2.024.633	0
Deferred tax for the year	<u>1.552.295</u>	<u>220</u>
	<u>-472.338</u>	<u>220</u>

3 Intangible assets	<u>Completed development projects</u>	<u>Development projects in progress</u>
Cost at 1 January 2021	11.196.434	0
Additions for the year	<u>0</u>	<u>9.466.751</u>
Cost at 31 December 2021	<u>11.196.434</u>	<u>9.466.751</u>
Impairment losses and amortisation at 1 January 2021	1.471.969	0
Depreciation for the year	<u>1.179.227</u>	<u>0</u>
Impairment losses and amortisation at 31 December 2021	<u>2.651.196</u>	<u>0</u>
Carrying amount at 31 December 2021	<u>8.545.238</u>	<u>9.466.751</u>

Notes

4 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2021	570.120
Additions for the year	802.760
Cost at 31 December 2021	<u>1.372.880</u>
Impairment losses and depreciation at 1 January 2021	118.631
Depreciation for the year	119.634
Impairment losses and depreciation at 31 December 2021	<u>238.265</u>
Carrying amount at 31 December 2021	<u><u>1.134.615</u></u>

5 Long term debt

	2021	2020
	DKK	TDKK
Banks		
After 5 years	1.565.320	0
Between 1 and 5 years	6.295.960	0
Non-current portion	7.861.280	0
Within 1 year	0	0
Current portion	0	0
	<u><u>7.861.280</u></u>	<u><u>0</u></u>
Other credit institutions		
After 5 years	0	0
Between 1 and 5 years	3.637.391	3.000
Non-current portion	3.637.391	3.000
Within 1 year	762.307	3.396
Current portion	762.307	3.396
	<u><u>4.399.698</u></u>	<u><u>6.396</u></u>

The convertible loan from Vækstfonden DKK 3.000 + interest were converted to sharecapital in July 2021. The remaining Vækstfonds loan will be settled in quarterly installments for the first time on 1 January 2024 and falls due for final settlement on 1 January 2027, unless special conditions in the loan agreement occurs, including the conversion of loans into share capital. The loan bears interest at 5% pa. with a surcharge based on CIBOR.

Notes

6 Contingent liabilities

The company has rentalcontract for officespace with a total commitment of TDKK 377 equal to 6 month rent.

The company has a pending lawsuit with an influenzer regarding the cost for delivered marketing services for the company. The Influenzer has suit the company. The Company expects to win the case and has therefor not accrued any cost associated with this case. If the case will be lost the company will have to expense the penalty related to this case.

7 Mortgages and collateral

The company has pledged Inventory, Accounts receivables, IP rigths and furnitures and fixtures with a lump sum of DKK 8 mio. a security for the loan from the bank connection on DKK 8,0 mio.