

Airofit A/S

Titangade 11
2200 København N

CVR no. 37 61 87 72

Annual report for 2020

(5th Financial year)

Adopted at the annual general meeting
on 26 May 2021

Kim Hamby Håkonsson
chairman

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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Airofit A/S for the financial year 1 January - 31 December 2020.

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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020.

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, 4 May 2021

Executive board

Christian Tullberg Poulsen
Director

Supervisory board

Martin Albert Bernhard Christian Hansen
Chairman

Jens Ørnbo

Andreas Friis-Liechti

Claus Peter Jakobsen

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 2020, 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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020 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. 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, 4 May 2021

CVR no. 33 25 68 76



Søren Jonassen
Statsautoriseret revisor
MNE no. mne18488

Company details

The company

Airofit A/S
Titangade 11
2200 København N

CVR no.: 37 61 87 72

Reporting period: 1 January - 31 December 2020

Incorporated: 18 April 2016

Domicile: Copenhagen

Supervisory board

Martin Albert Bernhard Christian Hansen, chairman
Jens Ørnbo
Andreas Friis-Liechti
Claus Peter Jakobsen
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 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 2020 shows a profit of DKK 728.143, and the balance sheet at 31 December 2020 shows equity of DKK 10.144.960.

Adjustments to last years result and opening equity:

As a result of the tax credit scheme, there has been an adjustment of deferred tax relating to previous years, which has been adjusted in the opening equity. This affects the equity with TDKK -2,300 and last year's result with TDKK 410.

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.

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® is being used by top level athletes around the world with great results.

During 2020, Airofit A/S marketed the Airofit Pro Sport® as well as released multiple updates to the Airofit Training App and Airofit Expert Module where users can share data with their coach or physician.

This resulted in a first full year Jan. 20 to Dec. 20 which cemented that the Airofit Systems can be a market leader regarding devices sold and new users added to the Airofit Breathing Universe.

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.

Management's review

Competition

The markets for Airofit A/S's products and services remain undeveloped and are characterized by little or no competition. Airofit A/S expects new competitors to enter the market in 2021 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. Following the initial outbreak of the virus, Airofit A/S experienced disruptions to its manufacturing, supply chain and logistical services provided by outsourcing partners, resulting in temporary supply shortages that affected sales worldwide.

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 the pandemic, Airofit A/S was able to quickly change focus from retail and wholesale channels and prioritize own operated points of sale. Airofit A/S has also seen that 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.

Currencies

The weakening of foreign currencies relative to the DKK, Euro and U.S. dollar adversely affects the value of Airofit A/S's foreign currency-denominated sales and earnings, and generally leads Airofit A/S to raise international pricing, potentially reducing demand for Airofit A/S's products in some countries.

Management's review

2020 compared to 2019

The first full year of sales in 2020 was transformative for Airofit A/S. Despite unprecedented global challenges, Airofit A/S outpaced many trends seen elsewhere in the start-up industry, as the Airofit Pro Sport drastically increased volumes, resulting in new users and cash generation.

In 2020 Airofit achieved an incredible result thanks to all teams across our organization, including supply chain, manufacturing, logistics, sale and marketing. They all rose to the challenge to guarantee a strong execution and to build on the vision that is Airofit.

Furthermore, we continued to improve our products and make progress on our long-term roadmap. We ramped up development on new products and started up preparations for production of our new Medical offering that is expected to be available on the market in ultimo 2021.

Our engineering team and development team has made significant progress on both the hardware and the software, with multiple release to customers.

While 2020 was a breakthrough year for Airofit A/S, we believe that 2021 will be even more important.

Outlook:

We are planning to grow our manufacturing and logistic capacity as rapidly as possible. Over a multi-year horizon, we expect to achieve 100-200% average annual growth in capacity and sales.

In some years we may grow faster, which we expect to be the case in 2021. The rate of growth will depend on our equipment capacity, operational efficiency and capacity and stability of the supply chain.

We are building our supply chain so we can manufacture and source from multiple sources to secure a 25%-50% buffer due to potential post Covid-19 demand increase and we remain on track to start deliveries from our new manufacturing locations in ultimo 2021.

The Airofit journey is just beginning.

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 2020 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.

As a result of the tax credit scheme, there has been an adjustment of deferred tax relating to previous years, which has been adjusted in the opening equity. This affects the equity with TDKK -2,300 and last year's result with TDKK 410.

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

Developments 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	3-5 years

Assets costing less than DKK 14.100 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 2020 - 31 December 2020

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> TDKK
Gross profit		6.761.880	-1.176
Staff costs	1	<u>-4.282.764</u>	<u>-1.075</u>
Profit/loss before amortisation/depreciation and impairment losses		2.479.116	-2.251
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1.124.251</u>	<u>-466</u>
Profit/loss before net financials		1.354.865	-2.717
Income from investments in subsidiaries		-200	0
Financial costs		<u>-406.101</u>	<u>-166</u>
Profit/loss before tax		948.564	-2.883
Tax on profit/loss for the year	2	<u>-220.421</u>	<u>1.403</u>
Profit/loss for the year		<u>728.143</u>	<u>-1.480</u>
 Recommended appropriation of profit/loss			
Transferred to reserve for development expenditure		-594.296	3.315
Retained earnings		<u>1.322.439</u>	<u>-4.795</u>
		<u>728.143</u>	<u>-1.480</u>

Balance sheet at 31 December 2020

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> TDKK
Assets			
Completed development projects		9.724.465	9.957
Intangible assets	3	<u>9.724.465</u>	<u>9.957</u>
Other fixtures and fittings, tools and equipment		451.489	368
Tangible assets	4	<u>451.489</u>	<u>368</u>
Investments in subsidiaries		970.621	970
Deposits		490.884	0
Fixed asset investments		<u>1.461.505</u>	<u>970</u>
Total non-current assets		<u>11.637.459</u>	<u>11.295</u>
Raw materials and consumables		1.006.161	0
Finished goods and goods for resale		752.412	151
Stocks		<u>1.758.573</u>	<u>151</u>
Trade receivables		1.207.781	45
Other receivables		622.817	634
Corporation tax		0	1.758
Receivables		<u>1.830.598</u>	<u>2.437</u>
Cash at bank and in hand		<u>7.342.616</u>	<u>2.459</u>
Total current assets		<u>10.931.787</u>	<u>5.047</u>
Total assets		<u><u>22.569.246</u></u>	<u><u>16.342</u></u>

Balance sheet at 31 December 2020

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> TDKK
Equity and liabilities			
Share capital		768.315	750
Other statutory reserves		7.172.507	7.767
Retained earnings		2.204.138	-689
Equity		<u>10.144.960</u>	<u>7.828</u>
Provision for deferred tax		2.109.819	1.889
Total provisions		<u>2.109.819</u>	<u>1.889</u>
Other credit institutions		3.000.000	3.145
Total non-current liabilities	5	<u>3.000.000</u>	<u>3.145</u>
Other credit institutions	5	3.396.240	0
Trade payables		1.387.171	1.573
Payables to subsidiaries		974.456	993
Other payables		1.556.600	914
Total current liabilities		<u>7.314.467</u>	<u>3.480</u>
Total liabilities		<u>10.314.467</u>	<u>6.625</u>
Total equity and liabilities		<u>22.569.246</u>	<u>16.342</u>
Contingent liabilities	6		
Mortgages and collateral	7		

Statement of changes in equity

	Share capital	Other statutory reserves	Retained earnings	Total
Equity at 1 January 2020	750.239	7.766.803	1.199.836	9.716.878
Net effect from adjustment of error	0	0	-2.300.060	-2.300.060
Adjusted equity at 1 January 2020	750.239	7.766.803	-1.100.224	7.416.818
Cash capital increase	18.076	0	1.981.923	1.999.999
Transfers, reserves	0	-594.296	0	-594.296
Net profit/loss for the year	0	0	1.322.439	1.322.439
Equity at 31 December 2020	768.315	7.172.507	2.204.138	10.144.960

Notes

	<u>2020</u> DKK	<u>2019</u> TDKK
1 Staff costs		
Wages and salaries	4.232.744	2.678
Other social security costs	50.020	62
Other staff costs	<u>0</u>	<u>-1.665</u>
	<u>4.282.764</u>	<u>1.075</u>
Average number of employees	<u>10</u>	<u>10</u>
2 Tax on profit/loss for the year		
Deferred tax for the year	220.421	-411
Adjustment of deferred tax concerning previous years	<u>0</u>	<u>-992</u>
	<u>220.421</u>	<u>-1.403</u>
3 Intangible assets		<u>Completed development projects</u>
Cost at 1 January 2020		10.390.372
Additions for the year		<u>806.062</u>
Cost at 31 December 2020		<u>11.196.434</u>
Impairment losses and amortisation at 1 January 2020		432.932
Depreciation for the year		<u>1.039.037</u>
Impairment losses and amortisation at 31 December 2020		<u>1.471.969</u>
Carrying amount at 31 December 2020		<u>9.724.465</u>

Notes

4 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2020	401.000
Additions for the year	169.120
Cost at 31 December 2020	570.120
Impairment losses and depreciation at 1 January 2020	33.417
Depreciation for the year	85.214
Impairment losses and depreciation at 31 December 2020	118.631
Carrying amount at 31 December 2020	451.489

5 Long term debt

	2020	2019
	DKK	TDKK
Other credit institutions		
Between 1 and 5 years	3.000.000	3.145
Non-current portion	3.000.000	3.145
Within 1 year	3.396.240	0
Current portion	3.396.240	0
	6.396.240	3.145

The debt obligations comprise two loans of DKK 3 million. from Vækstfonden paid out in resp. 2019 and 2020. The first loan will be settled by conversion into share capital in 2021 with the addition of interest of 8% pa. The second 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.

6 Contingent liabilities

The company is jointly taxed with the parent company Synergi ApS (Administration Company) and is liable limited and in the alternative with other jointly taxed companies for payment of corporation tax, withholding tax on dividends, interest and royalties, which are due.

7 Mortgages and collateral

The company has no mortgages and collateral.