

AUDIENTES™

Q3 INTERIM REPORT
01/07 - 30/09, 2020



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Financial Report Q3 2020

Successful IPO enables further product & market development of the Audientes' self-fitting hearing aid for planned market availability medio 2021.

Audientes continues to execute on the product development and business objectives necessary for a successful launch of our self-fitting hearing aid in medio 2021. Key components of our launch strategy are commercial partnerships with regional distributors and retailers. As part of this strategy, we have signed a Letter of Intent (LOI) extension with an Indian retail partner with whom we have been working with on end-user testing for several years, as part of a project co-funded by the Danish Market Development Fund (Markedsmodningsfonden). Additionally, this quarter we began building the marketing and sales organization that will drive the marketing, communications and delivery of our products, as well as establishing our commercial presence in our first target market, India.

The report has not been audited.

Letter from the CEO

Following our successfully executed and 89% over-subscribed IPO, which raised DKK 40 million from a total of 2,794 new investors, the third quarter of 2020 saw Audientes make substantial progress in several key areas.

Product development

Product development and go-to-market planning are proceeding as outlined in our Company Description from the IPO, as is the recruitment of key personnel to pivotal positions. We have met our product development targets, both in terms of software and hardware enhancements, but also in terms of product design and user experience.

We have engaged an accomplished designer, with deep experience in consumer electronics, to carry out product design enhancements following the results of our last market testing. We also brought on board an expert in User Experience to ensure that customers using the Audientes hearing aid have an outstanding experience. Moreover, the Audientes Smartphone app for Android and iOS has undergone considerable enhancements. We are, therefore, now ready for production on our next product prototypes. These will be available shortly and ready for testing in Q4 with partners and users in India, Germany and Denmark.

We entered a collaboration with students at the Technical University of Denmark on the design and development of an Audientes tinnitus application. And, our ongoing trademarking effort continues to ensure further protection in our priority markets.

Commercial partnerships

Our dialogue with prospective Indian and other channel partners is progressing well, and an existing Letter of Intent (LOI) with a retailer in India that encompasses the testing and reselling of our hearing aid has been extended. We expect to make formal agreements with channel partners in the coming months. Such agreements are an essential element of our launch plans for our self-fitting hearing aid. Our goal is to establish agreements with three types of partners:

1. Specialty retailers with hearing aid experience.
2. Related health retailers, such as pharmacies and opticians.
3. Consumer electronics retailers.



Letter from the CEO (cont.)

Organizational growth

During Q3 Audientes hired four new employees. Audientes now has six full-time employees as of September 30, 2020.

Financials

Regarding Audientes' financials, our main expenditures this quarter were investments in the product development of our self-fitting hearing aid, IPO-related brand-building and other marketing activities plus the financial and transaction costs. Expenditures and losses in third quarter of 2020 are overall in line with plans and expectations set out ahead of the IPO.

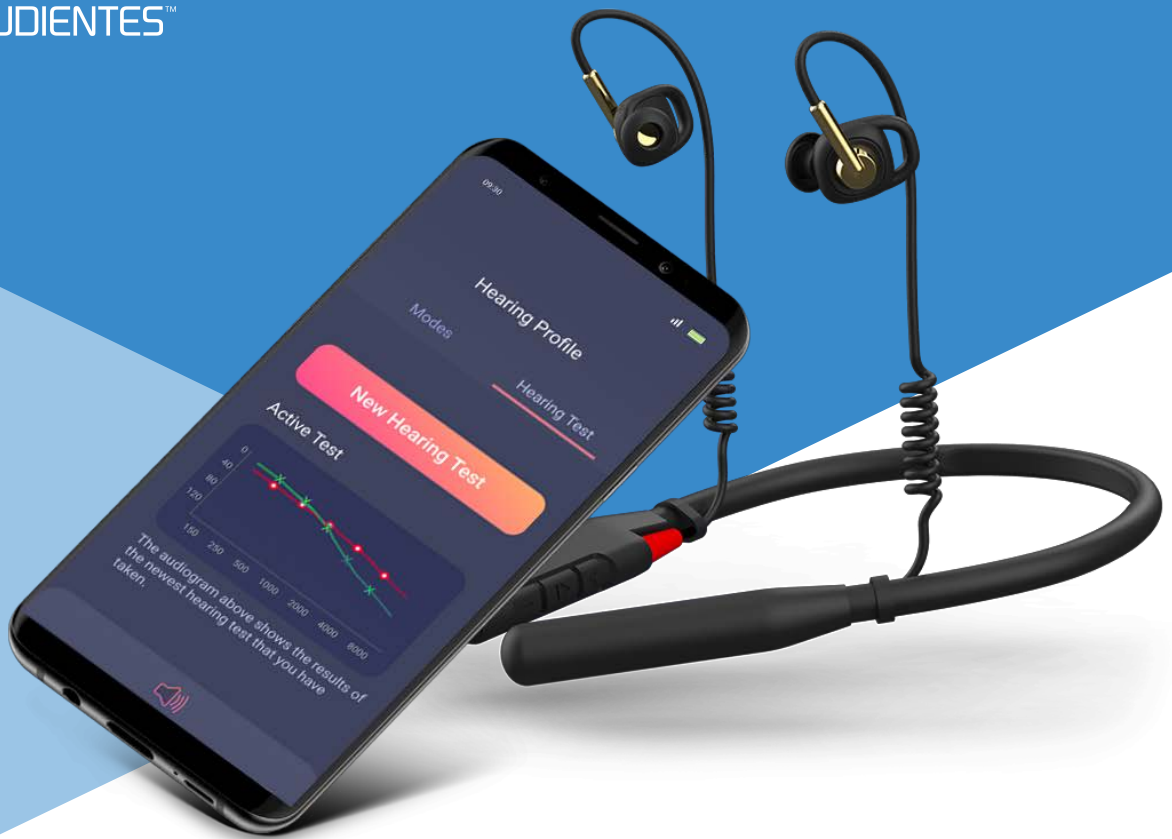
Audientes has a robust financial position with cash at hand above MDKK 34.7 as of end of Q3 2020.

COVID-19

Due to the uncertainty surrounding the length of the COVID-19 pandemic, it is not possible to quantify the economic impact of the crisis at this stage. Overall, the outbreak has not had a direct impact on the valuation of the company's assets and liabilities in 2020.

Audientes is making continuous progress in our efforts to position our self-fitting hearing as an important tool for people affected by the pandemic. This includes, for example, people in retirement homes who need a new hearing aid solution but who are prevented from visiting a clinic due to lock-down and health risks.

Steen Thygesen, CEO



Audientes in brief

Audientes has developed a platform of software and hardware technology that, combined, create an innovative hearing aid solution to help the millions of people around the world who suffer from disabling hearing loss. The hearing aid is based on the unique "self-fitting" technology developed by Audientes. Designed with low retail prices and operating costs in mind, the Audientes hearing aid supports both ears by default, which lowers costs further for the many with binaural hearing loss.

Unique to our hearing aid is the self-fitting technology – or built-in hearing clinic - that eliminates the usual process of a hearing test and audiologist consulting, which are costly elements of the value chain. The result is a self-fitting hearing aid that can be sold at retail level "over-the-counter" as users will be able to calibrate the hearing aid themselves without the assistance of a hearing expert or hearing care professional, making setup and maintenance considerably easier than traditional hearing aids. The smart software-assisted setup takes a few minutes and can be done by the user on the hearing aid itself or via a smartphone app.

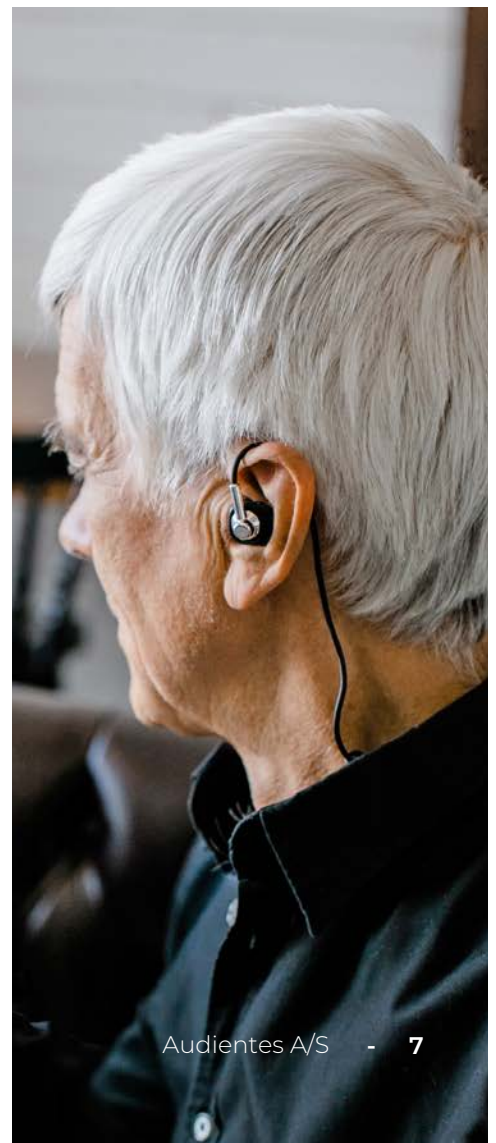
Audientes in brief

With the focus on ensuring that the hearing aid is affordable for the middle class in developing countries and for low-income populations in high-income countries, Audientes' hearing aid will cost between DKK 1,400-1,800, i.e. considerably more economically accessible than a set of the more well-known quality digital hearing aids. For millions of people around the world, Audientes' "over-the-counter" hearing aid will be the first step to addressing their hearing loss at a price they are able to afford.

Audientes is progressing on the development of the hearing aid and the associated smartphone app which will be available for both Android and iOS platforms. The company will commence the testing phase in Q4 with final prototype fabrication and market tests with users in Denmark, Germany and India before the product enters the manufacturing phase and then ramps up for mass production.

Going forward, Audientes has a multi-faceted development plan for further hardware and software developments for the next generations of hearing aids, as well as an AI-based analysis of collected user data (subject to GDPR etc. regulations) collected in a cloud platform to continuously improve the hearing aid's functionality and Audientes' knowledge of user preferences. Audientes' Cloud platform enables the storage of hearing test data (audiograms), analytics and information for CRM (Customer Relationship Management), sales and support.

It is the company's expectation to have a production-ready hearing aid in the first half of 2021, then commence sales via our chosen channels with first expected turnover in 2021. Sales are expected to be made both directly to consumers via Audientes own online shop and via e-tailers such as Amazon and Flipkart, as well as via wholesalers and retail chains.



Development during the third quarter of 2020, in figures

Regarding the profit and loss account as well as the cash flow statement, Audientes has chosen to disclose full year figures for 2019 as comparatives. The expenditures and commercial activity in Audientes was limited in the same period last year and as such, detailed information for neither Q3 nor the 9 months ending 30 September 2019, are considered to contribute as reasonable comparatives. Therefore, numbers within parentheses refer to the full preceding year, 2019.

For additional information about Audientes financial position and development, please refer to the Company's website (www.audientes.com).

Net sales and operating income

As sales of Audientes products have not yet begun, net sales for the third quarter of 2020 amounted to KDKK 0.00 (KDKK 0.00).

Other operating income for the first quarter amounted to KDKK 0.00 (KDKK 0.05).

Financial development

The result for the third quarter of 2020 amounted to KDKK -3,386 (KDKK -0.314) including one-off IPO-related advisory and other costs.

Liquidity

Audientes cash and cash equivalents amounted to KDKK 34,731 (KDKK 0.077) as of September 30, 2020.

Cash flow amounted to KDKK 34,671 (KDKK 0.0067). Cash flow from operating activities in the third quarter of 2020 amounted to KDKK 0 (KDKK 0). The monthly burn rate (excluding the IPO-related expenditures) is approximately KDKK 300, which is in line with the expectations for the period.

Development during the third quarter of 2020, in figures

Solidity

Audientes equity ratio as of September 30th, 2020 amounted to 90.5 percent (51.2 percent).

Equity ratio: Shareholder's equity divided by the total assets of the company.

The share

There is one class of shares in Audientes A/S. The Company's share is listed on Nasdaq First North Growth Market under the ticker "AUDNTS". As of September 30th, 2020, the number of shares amounted to 9,349,010 following the IPO on September 18th.

Earnings per share

Audientes earnings per share in Q3 was DKK -0.71. This is calculated based on the profit for the period (KDDK -3,386) divided by the average number of shares (which has been calculated to 4,753,847 as the company went through several increases in its equity and a change in its nominal price per share from DKK 1 to DKK 0.1).

Policies for the preparation of the interim financial report

Audientes A/S applies the Danish Financial Statements Act for Accounting Class B annual report with addition of a few provisions for reporting class C enterprises in the preparation of its financial reports.

Auditors' review

This interim report has not been reviewed by the Company's auditors.

Financial calendar

The Company prepares and publishes a financial report at the end of each quarter.

Upcoming reports are planned to be released as follows:

Date	Event
October 22, 2020	Q3 2020 reporting
March 18, 2021	Q4 and Annual Report 2020
April 13, 2021	Annual General Meeting 2021
May 20, 2021	Q1 2021 reporting
August 19, 2021	Q2 2021 reporting
November 18, 2021	Q3 2021 reporting

Further information

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Gitte Jürgens, Board member

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Income statement for 2020

		01.07.2020- 30.09.2020	01.01.2020- 30.09.2020	01.01.2019- 31.12.2019
	Note	DKK	DKK	DKK
Revenue		0	0	50,000
Cost of sales		(445)	(445)	(385)
Other external expenses		(1,926,999)	(2,165,333)	(108,871)
Gross loss		(1,927,444)	(2,165,778)	(59,256)
Staff costs	1	(493,853)	(503,365)	(50,500)
Operating loss		(2,421,297)	(2,669,143)	(109,756)
Other financial income		0	0	1,540
Other financial expenses		(964,762)	(966,445)	(1,735)
Loss before tax		(3,386,059)	(3,635,588)	(109,951)
Tax on loss for the period	2	0	0	(205,045)
Loss for the period		(3,386,059)	(3,635,588)	(314,996)

Balance sheet per 30/09/2020

	<u>Note</u>	<u>30.09.2020 DKK</u>	<u>31.12.2019 DKK</u>
Development projects in progress		8,157,936	7,548,641
Intangible assets	3	8,157,936	7,548,641
Deposits		61,497	21,832
Fixed asset investments		61,497	21,832
Fixed assets		8,219,433	7,570,473
Other receivables		961,230	0
Income tax receivable		167,968	33,923
Receivables		1,129,198	33,923
Cash		34,731,118	77,976
Current assets		35,860,316	111,899
Assets		44,079,749	7,682,372

Balance sheet per 30/09/2020

	<u>Note</u>	<u>30.09.2020</u> DKK	<u>31.12.2019</u> DKK
Contributed capital		934,901	368,730
Reserve for development costs		5,067,805	4,592,555
Retained earnings		33,871,852	(1,030,079)
Equity		<u>39,874,558</u>	<u>3,931,206</u>
Deferred tax		1,327,809	1,193,764
Provisions		<u>1,327,809</u>	<u>1,193,764</u>
Bank loans		71,367	0
Trade payables		154,101	132,916
Other payables		302,661	75,233
Deferred income		2,349,253	2,349,253
Short-term liabilities other than provisions		<u>2,877,382</u>	<u>2,557,402</u>
Liabilities other than provisions		<u>2,877,382</u>	<u>2,557,402</u>
Equity and liabilities		<u><u>44,079,749</u></u>	<u><u>7,682,372</u></u>

Cash flow statement for 2020

	01.07.2020- 30.09.2020 DKK	01.01.2020- 30.09.2020 DKK	01.01.2019- 31.12.2019 DKK
Loss before financial items and tax (EBIT)	(2,421,297)	(2,669,143)	(109,756)
Amortisation, depreciation and impairment losses	0	0	0
Change in working capital	(851,232)	(641,250)	290,707
Cash flows from primary activities	(3,272,529)	(3,310,393)	180,951
Financial income received	0	0	1,540
Financial expenses paid	(964,762)	(966,445)	(1,735)
Income taxes paid/received	0	0	376,671
Cash flows from operating activities	(4,237,291)	(4,276,838)	557,427
Investment in fixed assets	(609,295)	(609,295)	(550,325)
Changes in other non-current assets	(61,497)	(39,665)	(500)
Cash flows from investing activities	(670,792)	(648,960)	(550,825)
Proceeds from capital increase	41,376,350	41,376,350	0
Capital increase costs	(1,797,410)	(1,797,410)	0
Cash flows from financing activities	39,578,940	39,578,940	0
Net cash flows for the period	34,670,857	34,653,142	6,602
Cash and cash equivalents beginning of period	60,261	77,976	71,374
Net cash flow for the period	34,670,857	34,653,142	6,602
Cash and cash equivalents end of period	34,731,118	34,731,118	77,976

Statement of changes in equity for the period 01/01/2020 to 30/09/2020

	Contributed capital DKK	Share premium DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of period	368,730	0	4,592,555	(1,030,079)	3,931,206
Capital increase	566,171	40,810,179	0	0	41,376,350
Transferred from					
premium	0	(40,810,179)	0	40,810,179	0
Equity costs	0	0	0	(1,797,410)	(1,797,410)
Transferred to reserves	0	0	475,250	(475,250)	0
Loss for the period	0	0	0	(3,635,588)	(3,635,588)
Equity end of period	934,901	0	5,067,805	33,871,852	39,874,558

Statement of changes in equity for the period 01/07/2020 to 30/09/2020

	Contributed capital DKK	Share premium DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of period	368,730	0	4,592,555	(1,279,608)	3,681,677
Capital increase	566,171	40,810,179	0	0	41,376,350
Transferred from premium	0	(40,810,179)	0	40,810,179	0
Equity costs	0	0	0	(1,797,410)	(1,797,410)
Transferred to reserves	0	0	475,250	(475,250)	0
Loss for the period	0	0	0	(3,386,059)	(3,386,059)
Equity end of period	934,901	0	5,067,805	33,871,852	39,874,558

Notes

	01.07.2020- 30.09.2020	01.01.2020- 30.09.2020	01.01.2019- 31.12.2019
	DKK	DKK	DKK
1. Staff costs			
Salaries and wages	886,336	886,336	110,823
Other social security costs	2,908	2,908	12,564
Other staff costs	4,609	14,121	18,270
Staff costs transferred to assets	(400,000)	(400,000)	(91,157)
	493,853	503,365	50,500
2. Tax on loss for the year			
Change in deferred tax	0	0	(205,045)
Adjustment concerning previous years	0	0	0
	0	0	(205,045)
3. Intangible assets			Development costs in progress kr.
Cost beginning of period			7,548,641
Additions during the period 01.01.2020 to 30.06.2020			0
Additions during the period 01.07.2020 to 30.09.2020			609,295
Cost end of period			8,157,936
Carrying amount end of period			8,157,936