



audientes

Q1 2023 FINANCIAL REPORT

January 1 - March 31, 2023

CVR No. 36 04 76 31

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Audientes in brief

Audientes A/S is a Danish hearing health company specializing in smart, self-fitting and affordable hearing aids and advanced hearables. Audientes' unique hearing aid solution, Ven™ by Audientes, is available for purchase in the Indian market, online and in retail, and will be introduced to the US over-the-counter market and other markets in the coming years. Companion by Audientes is an advanced hearable consumer electronics product that is commercially available in Europe and later in other markets.

Audientes' mission is to develop hearing aids and hearables for hearing improvement or enhancement for everyone who needs them globally. Audientes is listed on Spotlight Stock Market Denmark (AUDNTS) and headquartered in Copenhagen, Denmark with a subsidiary in Hyderabad, India.

For additional information please refer to the company's website, www.audientes.com.



Highlights Q1 2023

Sales revenue for Q1 2023 ended at a modest DKK 0.2 million, generated from product sales from new customers in India, Nepal as well as in Scandinavia, where we introduced Companion by Audientes medio Q1. Substantial cost savings initiatives have been made, which is part of creating the platform for execution in the coming year. Audientes released a major software update for both its Ven and Companion products, which greatly enhances their performance and customer experience. We recently announced a partnership with a new exclusive distribution partner in India, Earkart Pvt. Ltd., who expects to order for around DKK 5.0 million Audientes products in the coming 12 months.

Performance highlights for Q1 2023

TDKK	Q1 2023	Q1 2022	2022
Revenue	211	21	79
Other operating income	214	214	856
EBITDA	-2,496	-3,358	-14,026
Profit/loss for the period	-3,722	-4,050	-24,362
Cash and cash equivalents	774	4,421	6,948
Equity	9,327	21,434	13,049
Equity ratio (%)	46.1%	82.2%	49.1%
Earnings per share (DKK)	-0.13	-0.43	-1.28
No. of shares beginning of the period	28,747,024	9,349,010	9,349,010
No. of shares end of period	28,747,024	9,349,010	28,747,024
Average number of shares	28,747,024	9,349,010	19,048,017

Highlights Q1 2023

- Audientes generated new product sales revenue of DKK 0.2 million
- Expanded our sales channels to include NGOs such as the [Association of People with Disability](#) in India, with whom we signed a collaboration agreement and received an initial order to supply Ven hearing aids
- Received an order to deliver Ven hearing aids to Nepal as the first country in Asia outside India through a [collaboration agreement with M.B. Meditech](#), a hospital equipment and surgical supplies company in Katmandu.
- [Announced the v2.0 software platform release](#) for Ven and Companion that greatly enhances performance and customer experience. The v2.0 release is available to update Ven and Companion products already sold via Audientes smartphone apps in Apples and Googles app stores.
- Began marketing and selling our new Companion by Audientes product in [Sweden](#) and [Denmark](#), through online retailers and in April also at audientes.eu, .
- We announced a [decision](#) to take back all sold, however not cash collected products in India, which amended a previous provision for bad debt to a provision for negative sales revenue for 2022 of DKK 3.0 million; EBITDA-result remain almost unchanged at DKK -14 mio, but the full year 2022 revenue now amounts to DKK 0.1 million.

2023 Outlook

- We have since the end of Q1 announced an agreement with an exclusive distribution partner in India, Earkart, and will change our distribution and retailer set up in India to this extent. As announced on [1 May 2023](#), Earkart expects to order for around DKK 5.0 million Audientes products in the next 12 months.
- Due to the uncertainty around the size and timing of funding in the short-term as well as in the medium-term, we have decided at the moment not to announce any guidance for the outlook for revenue and EBITDA for 2023.

Disclaimer

Forward-looking statements, especially such relating to future sales and operating profit, are subject to risks and uncertainties. Various factors, many of which are outside Audientes' control, may cause the actual development of the company to differ materially from the expectations contained in this financial report.



Letter from the CEO

Audientes has completed a full year of mass production and shipment of our initial product, Ven™. However, the financial results for Q4 2022 and the entire year of 2022 fell short of our expectations, and we recently decided to take back sold but not cash collected products in India, which amended to a provision in sales revenue of DKK 3.0 million resulting in only DKK 0.1 million in revenue for the entire year. Based on the market learnings, we have diligently worked on a substantial software update for Ven and Companion, significantly enhancing their performance and improving the overall customer experience. We believe these enhancements will facilitate a strong product/market fit. During Q1 2023, we launched Companion and completed the release of the v2.0 platform software, generating anticipation within the Indian market. Additionally, we have forged a new strategic partnership with Earkart India as our exclusive distribution partner in India, and we expect this collaboration to be mutually advantageous. While our Q1 2023 sales revenue amounted to only DKK 0.2 million, we have established a new operational framework and made new partnerships that provide a foundation for further growth throughout the year.

Business status and progress

A year has passed since Audientes began mass production of its first product, Ven™, and since the very first Audientes products were shipped to customers in India.

We managed during the year to sell-in to our distribution and retailer partners in India, but they did not generate the expected sell-through revenue from the initial Ven product. We believe this was due to an initial missing product-market fit, something we have since taken action to address through a software platform upgrade and various ongoing improvements.

Consequently, the result of Q4 2022 and all of 2022, as reported earlier, was unfortunately not in line with the expectations we had at the beginning of last year, or even as we moved through the year.

Based on our experience from the last 12 months in the market and the new agreement with Earkart, we have made some significant changes to our organization setup and, in particular, the Indian distribution and retailer approach. Having recently announced a decision to take back all sold, however not cash collected products in India, this has caused a provision for 2022 sales revenue of DKK 3.0 million, which means the sales of the full year 2022 only amounts to DKK 0.1 million.

The first quarter of 2023 was characterized by the launch of both Companion and the completion of the v2.0 software release, which has been eagerly awaited to reinvigorate the Ven sales channels. Since this release was not available in Q1 2023, new product sales have been modest, with sales revenue for the first quarter at DKK 0.2 million and partly as a consequence hereof, an EBITDA of DKK -2.5 million and a free cash flow of DKK -6.1 million

New distribution strategy in India with Earkart

Audientes recently announced that we are entering into a deep partnership with Earkart India, a rapidly growing hearing aid marketing and sales company. Earkart has become the exclusive distributor of Audientes' products in India. Starting from May 2023, Earkart India assumes general channel responsibility for Audientes' products in India. We believe this will be very fruitful for both parties.



Steen Thygesen - CEO, Audientes

Working with its extensive dealer network of more than 1,200 nationwide, which is the largest hearing clinic dealer network in India, Earkart has developed a scalable and comprehensive lead generation engine currently generating approximately 2,000 client leads per month. Earkart expects to sell for around DKK 5.0 million of Audientes products in the coming 12 months.

As part of the partnership, Audientes is obliged to withdraw the distribution rights from existing customers, and our distribution and retailer network will be integrated with that of Earkart, which will improve our reach and impact in the Indian hearing aid market. In certain cases, we will sell directly to specific partners or organizations. Audientes will remain responsible for online and in-store dealer training and education, end-user support and product warranty matters.



Letter from the CEO

Entering new markets

We introduced our new product “Companion by Audientes”, an advanced hearable for people with a need of situational hearing enhancement, in Northern Europe in February 2023, when Companion entered the European marketplace with product availability in Denmark and Sweden. Companion will gradually become available across the EU via online and retail sales, as distribution and retail agreements are made.

In February 2023 we announced a collaboration agreement for the distribution and sale of Audientes' self-fitting hearing aid, Ven™ by Audientes, throughout Nepal, and received an initial order from M.B. Meditech, a hospital equipment and surgical supplier based in Kathmandu, Nepal with a goal to add hearing healthcare products to its portfolio of offerings. This opens a new country in the region, adhering to our mission of offering accessible and affordable hearing health solutions in exactly such geographies.

Audientes is also working on introducing Companion in Japan, among other countries.

Partnering with the NGO channel in India

The new channels we developed in Q4 2022 started to pay off, with most notably the NGO partnerships, which we will continue to build on in 2023. We will together with Earkart continue to work with both local and national NGOs to make Ven available to people in underserved communities.

In Q1 2023, we received a significant initial commercial order from The Association of People with Disability (APD), with whom Audientes collaborates with to address deserving clients in densely populated, low-income urban settlements as well as rural areas throughout India.

Launched Audientes Software Platform v2.0

The v2.0 software platform upgrade was developed to be introduced to the Indian market, providing a substantial sound experience improvement and increased gain to support more severe hearing loss.

At Mobile World Congress in Barcelona in February 2023 we introduced the new enhanced v2.0 software platform upgrade to potential customers. This has since been made available globally in the App Stores of Apple and Google. Going forward, it will be supplied in Ven products for the Indian, Nepalese, and other markets. The new v2.0 release will power the Ven and Companion devices in the coming years.

The Audientes App has been enhanced with six different languages incl. German, Spanish and Japanese, supported by in-device voice prompts in Companion and Ven. We are now ready to enter many more markets.

Changes to the Board of Directors

As part of the announcement in February 2023 of the new strategic direction for the future capitalization of Audientes A/S, the then current board members resigned from the Board of Directors at an Extraordinary General Meeting on March 8th, 2023. A new Board was elected consisting of Hiroshi Maeda and Jesper Rhode Andersen as new board members of Audientes, who together with Steen Thygesen and Hossein Jelveh shall ensure the needed international competences to the anticipated business development and capitalization.

Funding the next growth phase

In April 2023, we announced that we had secured further funding from the utilization of warrants associated with the December 2022 Rights Issue. The proceeds from the warrants round amounted only to DKK 0.9 million and did therefore not meet expectations (good utilization rate of 70% but with a low strike price).

Securing further growth capital remains a key priority for the company. Audientes announced in February 2023 that it is in a position, where there will be a significant need for capital going forward to cover the needed investments in market development activities, new product development and medical device approvals etc. Therefore, we are continuing to evaluate a range of different alternatives to bring in the required financing in the short-medium term as well as exploring more longer-term structures.

If the upcoming critical funding round and/or the financing alternatives should not be completed as expected, the present plans for the development of the company will be adjusted accordingly to its financial capabilities.

Regarding going concern, reference is made to the following comments to the financial performance in Q1 2023 on page 7-8.

I thank our shareholders for your continued trust and support in Audientes.

Steen Thygesen CEO, Audientes A/S



Expanded product portfolio in 2023



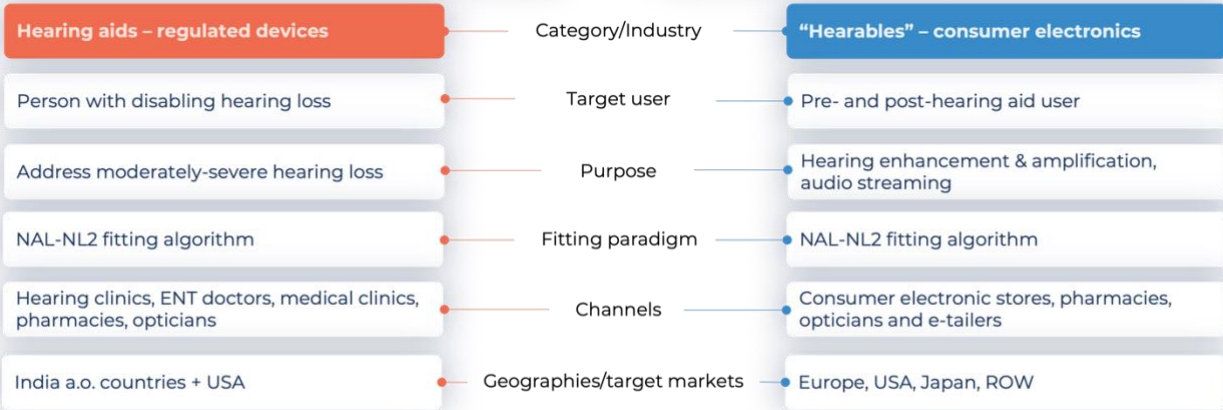
Ven
by Audientes

Ven is a self-fitting hearing aid intended for people with mild-to-severe hearing loss.



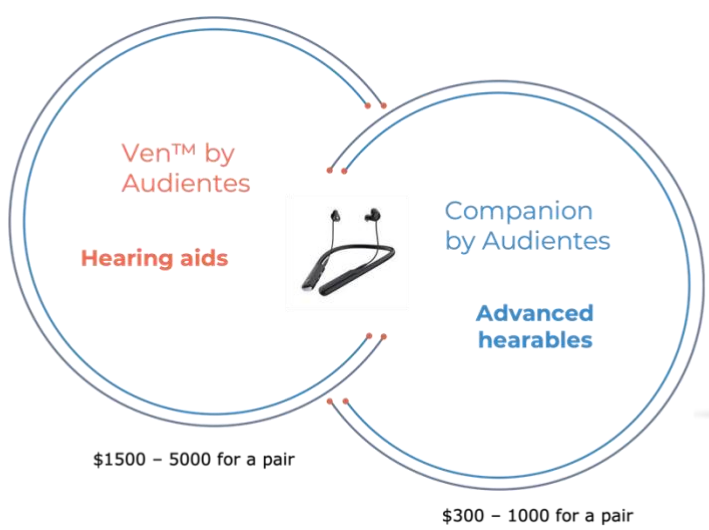
Companion
by Audientes

A situational hearing headset in the advanced hearables category



Hearing aids:
Hearing aids industry global market approx. \$8 billion in 2022

Consumer electronics:
Spending on advanced hearables and ear-worn devices is forecast to reach \$44 billion in 2022



Financial performance in Q1 2023

Despite employing a focused sales strategy adamant to drive further adoption of the initial Ven™ product, the revenue generated in Q1 2023 amounted to a modest DKK 0.2 million. Audientes anticipates a more favorable outcome with the introduction of the updated higher-gain Ven version 2 product, which incorporates the newly released v2.0 software platform software enhancements. Initiatives to reduce costs have been implemented, yielding both immediate and long-term effects, due to contractual notice periods for staff made redundant. A decision was made to take back all previously sold Ven-products in India from distributors for which payment had not been received. This move aims to support the new exclusive distributor, Earkart, in meeting the demand for Ven-products in the Indian market. The company remains engaged in securing short-term and long-term funding, as well as refinancing options; however, no final agreements have been reached at this time.

Revenue

As previously announced, the initial release of the Ven product faced challenges in achieving widespread adoption within the Indian market, primarily due to inadequate support for end-users with more severe hearing loss. In Autumn 2022, efforts were initiated to update and enhance the product, culminating in the availability of the new Ven version 2 in April 2023.

During the updating process, revenue in Q1 reached a modest TDKK 211, compared to the TDKK 21 in Q1 2022. However, the Q1 revenue figure remains considerably lower compared to sales recorded in Q2 and Q3 of 2022. Notably, sales in Q1 originated from Nepal, India, and Scandinavian markets.

Gross profit/loss

“Other external costs” amounted to TDKK-1,401 in Q1 2023 compared to TDKK-1,859 in same quarter last year. The cost reduction stems primarily from lower R&D and marketing costs.

Gross profit/loss for Q1 2023 was TDKK -521 compared to TDKK -1,171 in Q1 2022.

Operating profit/loss

In Q1 2023, staff costs amounted to TDKK -1,975 of which TDKK 519 or 26% is capitalized as “Development projects” compared to TDKK -2,187, TDKK 476 and 22% respectively in Q1 last year. The reduction in staff cost is driven by a provision for staff costs related to employees made redundant, expensed in Q4 2022.

At the end of Q1 2023, the staff comprised 17 employees including employees made redundant with notice periods, versus 15 employees end Q1 2022. Additionally, we collaborated with several external consultants and outsourcing vendors.

Operating profit/loss for Q1 2023 was TDKK -3,606 compared to TDKK -4,501 in Q1 2022.

Profit/loss

Financial expenses amounted net to TDKK -479 in Q1 2023 compared to TDKK -33 in same quarter last year driven by interests and fees on short term loans.

Tax for Q1 2023 is calculated as an income of TDKK 363 compared to TDKK 484 in Q1 last year relating to expected disbursements under the Danish Tax Prepayment Scheme regarding development costs.

The loss for Q1 2023 thus amounts to TDKK -3,722 compared to TDKK -4,050 in Q1 2022.

Capitalization of development projects

During Q1 2023, Audientes continued the development of the software platform used in the Ven and Companion products (the version 2.0). Additions to intangible assets thus totaled TDKK 977 in Q1 2023, down from TDKK 1,734 in Q1 2022.

After amortizations of TDKK 960 in Q1 2023, Audientes has, in total, capitalized TDKK 11,026 in development projects as intangible assets compared to TDKK 11,009 end of 2022.

Audientes’ ongoing investments in development projects are expected to provide significant competitive advantages going forward.

Receivables

At end of Q1 2023 receivables totaled TDKK 2,854, up from TDKK 2,799 at end of 2022. The increase of TDKK 55 relates to increase in “Trade receivables” TDKK 97 and in “Tax receivables” of TDKK 371, only partly compensated by decrease in “Prepayments” with TDKK 179 and in “Other receivables” with TDKK 234 driven by a change in period for VAT-compensation.

Equity

At end of Q1 2023, equity totaled TDKK 9,327 compared to TDKK 13,049 at the end of 2022 and TDKK 21,434 at the end of Q1 2022.

The solvency ratio was 46.1% end of Q1 2023 compared to 49.1% end of 2022 and 82.2% at the end of Q1 2022.

Current liabilities other than provisions

At the end of Q1 2023 current liabilities other than provisions totaled TDKK 10,861 compared to TDKK 13,487 at the end of 2022 and consists mainly of a short-term loan, payables such as trade payables, personal income taxes, holiday pay obligation and subsidies from the Danish Market Development Fund not yet recognized as income.



Cash flow

Cash and cash equivalents amounted to TDKK 774 at the end of Q1 2023 compared to TDKK 6,948 end of 2022 and TDKK 4,421 end of Q1 2022.

Cash flow from operating activities amounted in Q1 2023 to TDKK -5,173 including an increase in working capital of TDKK 2,267 driven by lower trade and other payables TDKK -2,666, only partly compensated by lower VAT receivables TDKK 316.

After investments in development projects and equipment of TDKK -994, only partly compensated by lower deposits of TDKK 31, the free cash flow amounted to TDKK -6,136 in Q1 2023 compared to TDKK -6,133 in Q1 2022 and TDKK -20,324 in 2022.

Cash flow from financing activities amounted to TDKK -38 in Q1 2023 compared to TDKK 0 in same quarter last year and TDKK 16,718 in 2022.

Events after the balance sheet date

Going concern

The execution of Audientes' business activities in 2023 is fully depending on further capital injection and refinancing or prolonging the current short term bridge loan.

To finance its business activities according to plan the Company carried out a fully subscribed Rights Issue of Units in December 2022 yielding TDKK 14,009 in gross proceeds. However, only around TDKK 8,000 was received in net proceeds due to transaction costs, partial repayment of existing bridge loans etc. The following associated warrants series T01 in March/April 2023 yielded TDKK 625 in net proceeds after transaction costs.

As announced in February 2023, Audientes has started to evaluate different alternatives to bring in the required substantial financing as well as exploring more longer-term structures such as partnerships, merger, sale of the business or its assets, or a strategic investment. For this purpose, the Company has entered a cooperation with Gemstone Capital as its corporate finance partner. Dialogues and negotiations with specific lenders as well as concrete investors are ongoing, however no final agreements have yet been achieved.

The Management of Audientes acknowledge the commercial uncertainties around the new and updated product to be sold on the Indian market by a new sole distributor as well as the uncertainty for achieving sufficient funding on relevant conditions in a somehow low-activity funding environment. However, despite the uncertainties the Management feel confident that the needed funding and refinancing or prolonging of the current bridge loan of DKK 5.5 million will be achieved – and based on this, the Management have prepared the Q1 2023 Financial Report as going concern.

The Q1-2023 Financial Report has not been audited.

Financial calendar

The company prepares and publishes a financial report for each quarter.

Upcoming reports and events are scheduled as follows:

Date	Event
June 13, 2023	2022 Annual report
June 28, 2023	Annual General Meeting 2023
August 24, 2023	Q2 2023 reporting
November 9, 2023	Q3 2023 reporting

Further information

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Board of Directors

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Hiroshi Maeda, Board member
Jesper Rhode Andersen, Board member
Steen Thygesen, Board member

Management

Steen Thygesen, CEO
Hossein Sandfeld Jelveh, CTO
Troels Torp, CFO

Auditors

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR No.: 33 96 35 56

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Financial statements

Income statement

TDKK	Note	Q1 2023	Q1 2022	2022
Revenue		211	21	79
Own work capitalized		519	476	2,377
Other operating income		214	214	856
Cost of goods sold		-64	-23	-473
Other external costs		-1,401	-1,859	-7,276
Gross profit/loss		-521	-1,171	-4,437
Staff costs	1	-1,975	-2,187	-9,589
Depreciation, amortization, and impairment losses		-1,110	-1,143	-9,759
Operating profit/loss		-3,606	-4,501	-23,785
Other financial income		38	6	205
Other financial expenses		-517	-39	-2,633
Profit/loss before tax		-4,085	-4,534	-26,213
Tax on profit/loss for the period		363	484	1,851
Loss for the period		-3,722	-4,050	-24,362

Balance sheet — assets

TDKK	Note	31.03.2023	31.03.2022	31.12.2022
Development projects in progress		2,162	15,340	1,184
Completed development projects		8,864	-	9,825
Intangible assets	2	11,026	15,340	11,009
Other fixtures and fittings, tools, and equipment		870	1,388	1,002
Equipment		870	1,388	1,002
Deposits		165	140	196
Other financial assets		165	140	196
Non-current assets		12,061	16,868	12,207
Manufactured goods and goods for resale		4,564	1,705	4,647
Inventories		4,564	1,705	4,647
Trade receivables		97	-	-
Other receivables		387	558	621
Income tax receivable		2,236	2,326	1,865
Prepayments		134	182	313
Receivables		2,854	3,066	2,799
Cash		774	4,421	6,948
Current assets		8,192	9,192	14,394
Assets		20,253	26,060	26,601

Balance sheet — equity and liabilities

TDKK	Note	31.03.2023	31.03.2022	31.12.2022
Contributed capital		2,875	935	2,875
Reserve for development expenditure		7,932	10,264	7,915
Retained earnings		-1,480	10,235	2,259
Equity		9,327	21,434	13,049
Warranties		65	-	65
Provisions		65	0	65
Bank loans		24	39	62
Other short-term loans		5,138	-	4,847
Trade payables		2,545	1,289	4,752
Other payables		1,012	300	1,471
Deferred income		2,142	2,998	2,355
Current liabilities other than provisions		10,861	4,626	13,487
Liabilities other than provisions		10,861	4,626	13,487
Equity and liabilities		20,253	26,060	26,601

Statement of changes in equity for Q1 2023

TDKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity beginning of period	2,875	7,915	2,259	13,049
Transfer	-	17	-17	0
Loss for the period	-	-	-3,722	-3,722
Equity end of the period	2,875	7,932	-1,480	9,327

Statement of changes in equity for Q1 2022

TDKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity beginning of period	935	10,264	14,285	25,484
Loss for the period	-	-	-4,050	-4,050
Equity end of the period	935	10,264	10,235	21,434

Statement of changes in equity for 2022

TDKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity beginning of period	935	10,264	14,285	25,484
Capital increase in period, net	1,940	-	9,908	11,848
Transfer	-	-2,349	2,349	-
Currency adjustments	-	-	79	79
Loss for the period	-	-	-24,362	-24,362
Equity end of the period	2,875	7,915	2,259	13,049

Cash flow statement for Q1 2022

TDKK	Q1 2023	Q1 2022	2022
Operating profit/loss	-3,606	-4,501	-23,785
Amortization, depreciation, and impairment losses	1,110	1,143	9,759
Other adjustments for non-liquidity items	69	-	126
Working capital changes	3	-1,000	-159
Cash flow from ordinary operating activities	-4,694	-4,358	-14,059
Financial income received	38	6	205
Financial expenses paid	-517	-39	-2,633
Taxes refunded/(paid)	-	-	1,843
Cash flow from operating activities	-5,173	-4,391	-14,644
Acquisition etc. of intangible assets	-977	-1,734	-5,592
Acquisition etc. of property, plant and equipment	-17	-19	-43
Changes in other financial assets	31	11	-45
Cash flow from investing activities	-963	-1,742	-5,680
Bank loan taken/(paid)	-38	-	-
Short term loan taken/(paid)	-	-	4,884
Capital increase, proceeds	-	-	11,865
Cash from bridge loan, converted to equity	-	-	2,144
Transactions costs and advisory costs	-	-	-2,175
Cash flow from financing activities	-38	0	16,718
Increase/decrease in cash and cash equivalents	-6,174	-6,133	-3,606
Cash and cash equivalents beginning of period	6,948	10,554	10,554
Cash and cash equivalents end of period	774	4,421	6,948
Cash and cash equivalents at period-end are composed of:			
Cash	774	4,421	6,948
Cash and cash equivalents end of period	774	4,421	6,948

Notes

TDKK	Q1 2023	Q1 2022	2022
1. Staff costs			
Wages and salaries	1,744	1,935	8,661
Pension costs	172	168	693
Other social security costs	27	22	76
Other staff costs	32	62	159
	1,975	2,187	9,589
Hereof capitalized as "Development projects"	-519	-476	-2,377
Average number of full-time employees	17	15	16
2. Intangible assets			
Cost beginning of period	14,064	15,470	15,470
Additions	977	1,734	5,592
Disposals	-	-	-6,998
Cost end of period	15,041	17,204	14,064
Amortization beginning of period	-3,055	-898	-898
Amortization for the period	-960	-966	-9,155
Accumulated amortizations on disposals	-	-	6,998
Amortization end of period	-4,015	-1,864	-3,055
Carrying amount end of period	11,026	15,340	11,009
3. Changes in working capital			
Change in inventory	83	-339	-3,281
Increase/decrease in receivables	316	683	489
Increase/decrease in trade payables etc.	-2,666	-1,344	2,633
Total	-2,267	-1,000	-159



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