

The logo for Audientes, featuring a stylized circular icon to the left of the word "audientes" in a lowercase, sans-serif font.

audientes

A photograph of a smiling woman with long dark hair and a smiling man with grey hair, glasses, and a mustache, sitting together against a light-colored brick wall. The woman is wearing a light blue patterned top, and the man is wearing a dark blue patterned shirt. They are both looking towards the camera.

Q2/HALF-YEAR 2023 FINANCIAL REPORT

JANUARY 1 – JUNE 30, 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 and Nepalese markets. Companion by Audientes is an advanced hearable consumer electronics product, marketed in select markets worldwide subject to company priorities.

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, www.audientes.eu or www.audientes.in.

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.

Highlights Q2/Half-year 2023

During Q2 2023, Audientes derived sales revenue at DKK 1.0 million, primarily generated from product sales to our new exclusive distributor in India, Earkart. In Nepal we introduced our self-fitting hearing aid Ven to the market via a new distribution partner, M.B. Meditech, whom we have onboarded and trained. Our advanced hearable, Companion by Audientes, was released to the market medio Q1 and we commenced channel development in various markets. Audientes released the major “v2.0” software update for both its Ven and Companion products, as announced earlier in Q1, which greatly enhances their performance and customer experience. An accelerated entry into China was announced in June, including an investment by Shenzhen Hengtong Partner Company Ltd., our new distribution partner, who since has placed an initial pre-paid order for TDKK 562 for the delivery of Companion products later in 2023. Substantial cost saving initiatives have been lowering the cash burn significantly, as part of a lean and focused platform for execution in Audientes priority markets.

Performance highlights for Q2 2023

TDKK	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
Revenue	1,042	987	1,253	1,008	79
Other operating income	752	214	966	428	856
EBITDA	-1,838	-3,328	-4,334	-6,686	-14,026
Profit/loss for the period	-3,603	-4,580	-7,325	-8,630	-24,362
Cash and cash equivalents	1,682	3,680	1,682	3,680	6,948
Equity	7,275	16,854	7,275	16,854	13,049
Equity ratio (%)	36.2%	56.6%	36.2%	56.6%	49.1%
Earnings per share (DKK)	-0.11	-0.49	-0.22	-0.92	-1.28
No. of shares beginning of the period	28,747,024	9,349,010	28,747,024	9,349,010	9,349,010
No. of shares end of period	39,150,472	9,349,010	39,150,472	9,349,010	28,747,024
Average number of shares	33,948,748	9,349,010	33,948,748	9,349,010	19,048,017

Highlights Q2 2023

- Audientes generated new product sales revenue of DKK 1.0 million
- As announced on [1 May 2023](#), we have entered into an agreement with a new exclusive distribution partner in India, [Earkart](#), resulting in a significant change to our distribution and retail set up in India for B2B and B2C channels.
- Earkart expects to order for around DKK 5.0 million Audientes products in the 12 months from May 2023.
- Shipped Ven hearing aids to Nepal as the first country in Asia outside India through a [collaboration agreement with M.B. Meditech](#), whom we have trained and onboarded.
- Accelerated entry into China in 2023 facilitated via an agreement for the distribution and sale of Audientes' products in China with Shenzhen Hengtong Partner Company Ltd., who also invested DKK 1 million in the form of a directed issue of new shares.
- The advanced hearable, Companion by Audientes, will initially be available throughout Hengtong's retailers and online distribution channels, and later in 2024 also the self-fitting hearing aid, Ven.
- [Released 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 via the Audientes' smartphone app in Apples and Googles app stores.
- Began marketing and selling our new Companion by Audientes product in online retail.
- We announced in Q2 a [decision](#) to take back all sold, however not cash collected products in India, for upgrading to v2.0 software and marketing in new channels. These products have largely been received now and undergoing upgrading as part of the commercial activities in India.

Highlights after Q2 2023

- Hengtong has placed an [initial pre-paid product order for TDKK 562](#) for Companion products to be delivered in late 2023, subject to local GTM readiness.

Outlook for 2023

- Due to the uncertainty around the size and timing of funding in the short-term as well as in the medium-term, we do not provide guidance for the outlook for revenue and EBITDA for 2023.

Letter from the CEO

Business status and progress

The second quarter of 2023 included two major changes to Audientes business platform, namely the new exclusive partnership with Earkart in India, and the accelerated entry in China slated to happen in 2023, coupled with an investment by our new Chinese partner, Hengtong.

Furthermore, the v2.0 software release for Ven and Companion, which has been eagerly awaited to further create sales momentum, was released in app stores for the Apple and Android platforms for updating the product firmware over-the-air.

In Q2 Audientes also announced a decision to take back all sold, however not cash collected products in India. These will be upgraded to the v2.0 release for sale in India as part of the operational setup following the changed channel strategy.

New distribution strategy in India with Earkart

Based on our experience from the last 12 months in the Indian 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.

Audientes announced on May 1st 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. From May 2023, Earkart India has assumed general channel responsibility for Audientes' products in India. We believe this will be very fruitful for both parties.

Working with its extensive dealer network of more than 1,300 nationwide, Earkart has developed a scalable and comprehensive lead generation engine which is going to introduce Audientes products to their channels. This will improve our reach and impact in the Indian hearing aid market. Earkart expects to sell for around DKK 5.0 million of Audientes products in the 12 months from May 2023.

As part of the partnership, Audientes agreed to transfer distribution rights from existing customers to Earkart and have largely completed that exercise at the present time. 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.

Accelerated entry into China

Continuing our strong focus on markets in Asia, we announced in early May that Audientes have secured an accelerated market entry in China through a partnership with Shenzhen Hengtong Partner Company Ltd.



Steen Thygesen - CEO, Audientes

Hengtong have both made a strategic investment of DKK 1 million through a directed issue of new shares in Audientes and placed an initial prepaid product sales order at TDKK 562.

Hengtong is a distributor of brands and products within the geriatric healthcare and consumer electronic field. The agreement paves the way for Audientes to enter China several years earlier than expected with the advanced hearable, Companion by Audientes, through Hengtong's distribution network. This will be followed by Audientes' self-fitting hearing aid Ven™ by Audientes when medical device approvals are in place.

Hengtong will collaborate with and support Audientes on the necessary medical device approvals for the Chinese market to secure authorization for the entry of Ven™ by Audientes into China, leveraging its experience in the regulatory field.

Hengtong's distribution focus is on mainland China, Hong Kong, Macau, and Taiwan, where Companion by Audientes initially will be marketed to online merchants and retail channels such as pharmacies, opticians, and electronics stores.



Opening ceremony of Hengtong's China Customer Service Centre in Shenzhen, China.

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 TDKK 900 (net TDKK 600) with a good utilization rate of 70% but with a low strike price and thus below expectations.

In May we agreed the terms of a new interest-bearing short-term loan with our existing loan givers of TDKK 750, which will be repaid or more likely offset against shares in the Company. We are in a constructive dialogue with the same lender group concerning the larger bridge loan of DKK 5.6 million and the terms for its prolongation or refinancing.

Securing further growth capital remains a key priority for the company to cover the needed investments in market development activities, new product development and medical device approvals etc. Therefore, as mentioned on several occasions earlier in the year, we continue 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.

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

Steen Thygesen, CEO,
Audientes A/S

Financial performance in Q2 & H1 2023

Auditor's audit/review

The Financial Report for Q2 and H1 2023 has not been audited or reviewed by auditor.

Revenue

Revenue amounted in Q2 2023 to TDKK 1,042 and related primarily to sales to the new exclusive distributor for the Indian market, Earkart. In Q2 2022, revenue was TDKK 987, which however more or less all was reversed in Q4 2022 due to lack of payments from customers.

In H1 2023, revenue amounted to TDKK 1,253 compared to TDKK 1,008 in H1 2022, which however was reversed in Q4 2022.

Other operating income

Other operating income amounted to TDKK 752 in Q2 2023 compared to TDKK 214 in same quarter last year and consisted beside subsidy to marketing activities and sale of project related consultancy hours.

Other operating income was TDKK 966 in H1 2023 compared to TDKK 428 in same period last year.

Operating profit/loss

Operating profit/loss amounted to TDKK -2,998 in Q2 2023 compared to TDKK -4,471 in Q2 2022. Beside the higher "Other operating income" the improvement is primarily driven by lower development cost including completion of especially the software platform version 2.0 project and savings from downsizing the organization, only partly compensated by lower gross profit/loss on sale.

For H1 2023, "Operating profit/loss" amounted to TDKK -6,604 compared to TDKK -8,972 in H1 2022, which corresponded to an improvement of TDKK 2,368.

Loss for the period

Financial expenses, net amounted to TDKK -662 in Q2 2023 or almost unchanged from same period in 2022. In H1 2023 financial expenses, net amounted to TDKK -1,141 or TDKK 467 higher than in same period 2022 due to taking out an interest-bearing loan in April 2022.

Due to lower development costs, the tax related to expected disbursement under the Danish Tax Prepayment Scheme regarding development cost was TDKK 57 in Q2 2023 compared to TDKK 542 in same quarter last year and TDKK 420 in H1 2023 compared to TDKK 1,026 in H1 2022.

Loss in Q2 2023 amounted to TDKK -3,603 compared to TDKK -4,580 in Q2 2022. In H1 2023, loss was TDKK -7,325 compared to TDKK -8,630 in H1 2022.

Balance sheet

On June 30, 2023, total assets amounted to TDKK 20,106 compared to TDKK 26,601 at the end of 2022. Equity ratio end of Q2 2023 was 36.2 % compared to 49.1 % end of 2022.

Capitalization of development projects

In Q2 2023, Audientes completed the development of the software platform used in the Ven and Companion products (the version 2.0) and the version 2.0 products were launched in April 2023. Additions to intangible assets in H1 2023 thus totaled TDKK 1,400 compared to TDKK 3,636 in H1 2022.

After amortizations of TDKK 1,970 in H1 2023, Audientes has capitalized TDKK 10,439 in development projects end of June 2023 compared to TDKK 11,009 end of 2022.

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

Trade receivables

End of Q2 2023, Trade receivables amounted to TDKK 872 compared to TDKK 0 end of 2022, which was impacted by the previously mentioned taken-back of products not been paid for.

Equity

In H1 2023, the capital was increased by net TDKK 1,549 driven by the outcome of the exercise of warrants of series TO1 and a Directed Issue regarding strategic investment from Shenzhen Hengtong Partner Company Ltd.

The no. of shares was in H1 2023 increased by 10,403,448 shares to 39,150,472 shares at the end of June 2023.

Other short-term loans

Other short-term loans amounted end of June 2023 to TDKK 6,187 compared to TDKK 4,847 end of 2022. The increase of TDKK 1,350 related to a new bridge-loan of TDKK 750 and accrued interests.

Cash flow

Cash and cash equivalents amounted to TDKK 1,682 on June 30, 2023, compared to TDKK 6,948 end of 2022, which corresponded to a drop of TDKK 5,266.

Cash flow from operating activities amounted to TDKK -6,756 in H1 2023 compared to TDKK -11,015 in same period last year.

In H1 2023, the free cash flow amounted to TDKK -8,160 compared to TDKK -14,659 in H1 2022.

Cash flow from financing activities was TDKK 2,895 in H1 2023 driven primarily by capital increase net of TDKK 1,549 and short-term loan taken including accrued interests of TDKK 1,340 compared to TDKK 7,785 in H1 2022 fully related to a short term loan secured in April 2022.

Going concern

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

As already announced, Audientes has started to evaluate different alternatives to bring in the required substantial financing as well as exploring more longer-term structure such as partnerships, merger, or a strategic investment. This process is still ongoing.

End of May 2023, a new convertible loan of TDKK 750 from existing bridge-lenders was obtained, and in June 2023 an investment of TDKK 1,000 from Shenzhen Hengtong Partner Company Ltd., China was received. Audientes and Shenzhen Hengtong Partner Company Ltd. has also entered into an agreement for the sale and distribution of Audientes' products in China and Audientes has received a pre-payment of TDKK 562 for the initial sales order.

The Management of Audientes still acknowledge the commercial uncertainties around the recently updated products to be sold on the Indian and Chinese market by two new distributors 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-loans of DKK 6.2 million will be achieved – and based on this, the Management have prepared the Financial Report for Q2/Half-year 2023 as going concern.

Financial calendar

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

Upcoming reports and events are scheduled as follows:

Date	Event
August 24, 2023	Q2 2023 reporting
November 9, 2023	Q3 2023 reporting

Further information

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

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

Auditors

Deloitte
Statsautoriseret
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Financial statements

Income statement

TDKK	Note	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
Revenue		1,042	987	1,253	1,008	79
Own work capitalized		370	585	889	1,061	2,377
Other operating income		752	214	966	428	856
Cost of goods sold		-989	-508	-1,053	-531	-473
Other external costs		-1,399	-2,318	-2,800	-4,177	-7,276
Gross profit/loss		-224	-1,040	-745	-2,211	-4,437
Staff costs	1	-1,614	-2,288	-3,589	-4,475	-9,589
Depreciation, amortization, and impairment losses		-1,160	-1,143	-2,270	-2,286	-9,759
Operating profit/loss		-2,998	-4,471	-6,604	-8,972	-23,785
Other financial income		-	9	38	15	205
Other financial expenses		-662	-660	-1,179	-699	-2,633
Profit/loss before tax		-3,660	-5,122	-7,745	-9,656	-26,213
Tax on profit/loss for the period		57	542	420	1,026	1,851
Loss for the period		-3,603	-4,580	-7,325	-8,630	-24,362

Balance sheet — assets

TDKK	Note	30.06.2023	30.06.2022	31.12.2022
Development projects in progress		0	3,636	1,184
Completed development projects		10,439	12,638	9,825
Intangible assets	2	10,439	16,274	11,009
Other fixtures and fittings, tools, and equipment		739	1,231	1,002
Equipment		739	1,231	1,002
Deposits		165	140	196
Other financial assets		165	140	196
Non-current assets		11,343	17,645	12,207
Manufactured goods and goods for resale		3,467	2,999	4,647
Inventories		3,467	2,999	4,647
Trade receivables		872	999	-
Other receivables		419	1,040	621
Income tax receivable		2,293	2,869	1,865
Prepayments		30	552	313
Receivables		3,614	5,460	2,799
Cash		1,682	3,680	6,948
Current assets		8,763	12,139	14,394
Assets		20,106	29,784	26,601

Balance sheet — equity and liabilities

TDKK	Note	30.06.2023	30.06.2022	31.12.2022
Contributed capital		3,915	935	2,875
Reserve for development expenditure		7,345	10,264	7,915
Retained earnings		-3,985	5,655	2,259
Equity		7,275	16,854	13,049
Warranties		65	-	65
Provisions		65	0	65
Bank loans		68	37	62
Other short-term loans		6,187	7,785	4,847
Trade payables		2,955	1,984	4,752
Other payables		1,200	340	1,471
Deferred income		2,356	2,784	2,355
Current liabilities other than provisions		12,766	12,930	13,487
Liabilities other than provisions		12,766	12,930	13,487
Equity and liabilities		20,106	29,784	26,601

Statement of changes in equity for Q2 2023

TDKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity beginning of period	2,875	7,932	-1,480	9,327
Capital increase in period, net	1,040	-	509	1,549
Transfer	-	-587	587	0
Currency adjustments	-	-	2	2
Loss for the period	-	-	-3,603	-3,603
Equity end of the period	3,915	7,345	-3,985	7,275

Statement of changes in equity for Q2 2022

TDKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity beginning of period	935	10,264	10,235	21,434
Loss for the period	-	-	-4,580	-4,580
Equity end of the period	935	10,264	5,655	16,854

Statement of changes in equity for H1 2023

TDKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity beginning of period	2,875	7,915	2,259	13,049
Capital increase in period, net	1,040	-	509	1,549
Transfer	-	-570	570	0
Currency adjustments	-	-	2	2
Loss for the period	-	-	-7,325	-7,325
Equity end of the period	3,915	7,345	-3,985	7,275

Statement of changes in equity for H1 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	-	-	-8,630	-8,630
Equity end of the period	935	10,264	5,655	16,854

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	0
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

TDKK	Note	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
Operating profit/loss		-2,998	-4,471	-6,604	-8,972	-23,785
Amortization, depreciation, and impairment losses		1,160	1,143	2,270	2,286	9,759
Other adjustments for non-liquidity items		2	-	-7	-	126
Working capital changes	3	1,206	-2,645	-1,274	-3,645	-159
Cash flow from ordinary operating activities		-630	-5,973	-5,615	-10,331	-14,059
Financial income received		-	9	38	15	205
Financial expenses paid		-662	-660	-1,179	-699	-2,633
Taxes refunded/(paid)		-	-	-	-	1,843
Cash flow from operating activities		-1,292	-6,624	-6,756	-11,015	-14,644
Acquisition etc. of intangible assets		-423	-1,902	-1,400	-3,636	-5,592
Acquisition etc. of property, plant and equipment		-19	-	-36	-19	-43
Changes in other financial assets		-	-	31	11	-45
Cash flow from investing activities		-442	-1,902	-1,405	-3,644	-5,680
Bank loan taken/(paid)		44	-	6	-	-
Short term loan taken/(paid)		1,049	7,785	1,340	7,785	4,884
Capital increase, proceeds		1,889	-	1,889	-	11,865
Cash from bridge loan, converted to equity		-	-	-	-	2,144
Transactions costs and advisory costs		-340	-	-340	-	-2,175
Cash flow from financing activities		2,642	7,785	2,895	7,785	16,718
Increase/decrease in cash and cash equivalents		908	-741	-5,266	-6,874	-3,606
Cash and cash equivalents beginning of period		774	4,421	6,948	10,554	10,554
Cash and cash equivalents end of period		1,682	3,680	1,682	3,680	6,948
Cash and cash equivalents at period-end are composed of:						
Cash		1,682	3,680	1,682	3,680	6,948
Cash and cash equivalents end of period		1,682	3,680	1,682	3,680	6,948

Notes

TDKK	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
1. Staff costs					
Wages and salaries	1,474	2,055	3,218	3,990	8,661
Pension costs	109	180	281	348	693
Other social security costs	18	20	45	42	76
Other staff costs	13	33	45	95	159
	1,614	2,288	3,589	4,475	9,589
Own work capitalized	-370	-585	-889	-1,061	-2,377
	1,244	1,703	2,700	3,414	7,212
Average number of full-time employees	13	15	14	15	16
2. Intangible assets					
Cost beginning of period	15,041	17,204	14,064	15,470	15,470
Additions	423	1,902	1,400	3,636	5,592
Disposals	-	-	-	-	-6,998
Cost end of period	15,464	19,106	15,464	19,106	14,064
Amortization beginning of period	-4,015	-1,864	-3,055	-898	-898
Amortization for the period	-1,010	-968	-1,970	-1,934	-9,155
Accumulated amortizations on disposals	-	-	-	-	6,998
Amortization end of period	-5,025	-2,832	-5,025	-2,832	-3,055
Carrying amount end of period	10,439	16,274	10,439	16,274	11,009
3. Changes in working capital					
Change in inventory	1,097	-1,294	1,180	-1,633	-3,281
Increase/decrease in receivables	-703	-1,851	-387	-1,168	489
Increase/decrease in trade payables etc.	812	500	-2,067	-844	2,633
Total	1,206	-2,645	-1,274	-3,645	-159



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