



audientes

Making high-quality, self-fitting hearing aids accessible and affordable for everyone who needs them.

HALF-YEAR FINANCIAL REPORT

January 1 - June 30, 2022

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Audientes in brief

Audientes A/S is a Danish technology company specializing in smart, self-fitting and affordable hearing aids. 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. Audientes' mission is to help the approximately 500 million people globally suffering from disabling hearing loss who either cannot afford to buy one of the very expensive hearing aids on the market, or who do not currently have access to a solution to their hearing loss.

Audientes (ticker name: AUDNTS) is currently listed on Nasdaq First North Growth Market Denmark ("First North"), but will change listing venue to Spotlight Stock Market Denmark ("Spotlight"). The estimated last day of trading in Audientes' financial instruments on First North is September 16, 2022, and the estimated first day of trading on the Danish segment of Spotlight is the following banking day, September 19, 2022.

Audientes is headquartered in Copenhagen, Denmark with a subsidiary in Hyderabad, India.

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



Highlights H1 2022

Surpassing DKK 1 million in revenue

During the second quarter of 2022, Audientes secured satisfying revenue for its first quarter of sales, surpassing DKK 1 million in the first half of 2022. The second quarter also saw Audientes announce the addition of a new product to its portfolio with Companion by Audientes – a situational hearing solution to be launched in Q4 2022, with focus on the US and thereafter in additional prioritized markets globally.

Due to the current underperforming stock markets, we announced in July that our upcoming funding aim has been reduced and outlook for 2022 has been adjusted accordingly. If the upcoming critical funding round should not be completed as expected, the present plans for the development of the company will be adjusted accordingly to its financial capabilities.

Steen Thygesen, CEO Audientes A/S, comments: "We are satisfied with the results in H1 2022 and have high expectations for H2 2022. We have developed a good flow in our Indian business across hearing health retail channels in the major urban areas. Since we began selling Ven™ by Audientes at the end of March, we have surpassed DKK 1 million in invoiced revenue and are steadily ramping up. We are also excited to introduce a new product to our portfolio with Companion by Audientes. This situational hearing solution will enable us to rapidly enter the US with a smart non-medical consumer electronics offering. The coming months will also see us being focused on the move to the Spotlight Stock Market as well as the important injection of new capital to support our current growth plans, which of course will be adjusted to the capital secured."

Financial highlights

TDKK	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Revenue	987	-	1,008	-	-
Other operating income	214	-	428	-	214
EBITDA	-3,328	-3,042	-6,686	-5,652	-13,217
Profit/loss for the period	-4,580	-2,757	-8,630	-5,508	-12,901
Cash and cash equivalents	3,680	24,040	3,680	24,040	10,554
Equity	16,854	32,863	16,854	32,863	25,484
Equity ratio (%)	56.6%	85.8%	56.6%	85.8%	81.0%
Earnings per share (DKK)	-0.49	-0.29	-0.92	-0.59	-1.38
No. of shares beginning of the period	9,349,010	9,349,010	9,349,010	9,349,010	9,349,010
No. of shares end of period	9,349,010	9,349,010	9,349,010	9,349,010	9,349,010
Average number of shares	9,349,010	9,349,010	9,349,010	9,349,010	9,349,010

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 and H1 2022

- Audientes introduced in Q1 its self-fitting hearing aid Ven to the market and began shipping Ven in the channels more broadly in Q2.
- At the end of Q2, our first full quarter of sales, we had surpassed DKK 1 million in revenue for the first half of 2022.
- Sales outlets were doubled in numbers in India during H1 to over 350 individual stores.
- Investments and expenditures are in line with expectations, with investments totalling DKK 3.6 million for H1 and DKK 1.9 million for Q2. Inventory built up in H1 with DKK 1.6 million for the expected autumn and winter sales to mitigate potential supply chain risks that may arise, and amounted to DKK 3 million at the end of in H1.
- Nasdaq Copenhagen A/S approved in June Audientes A/S' application to change listing from First North to Spotlight (Company Announcement 15-2022), with planned last day of trading at First North on September 16th, 2022.
- Furthermore, the company has also in June been approved for listing on Spotlight (Company Announcement 13-2022), which is estimated to take place on September 19th, 2022.
- The final rules for the new category of OTC ("Over-the-Counter") hearing aids were published in August by the US FDA. These rules are close to the earlier published proposal, with ample opportunities for a variety of product form factors and personal fitting & customization functionalities, such as what Audientes is developing. With clarity established, Audientes can now continue the focus on gaining FDA clearance and approvals of our planned US products.

2022 outlook - new guidance for 2022

- Due to the current underperforming stock markets, Audientes upcoming funding aim has been reduced and outlook for 2022 was adjusted in July (ref. Company Announcement 16-2022).
- The expectations are based on the upcoming critical funding round being completed as expected.
- Audientes expects revenue in 2022 to be in the range of DKK 9-12 million, mainly generated from its activities in India through wholesalers and chains and from sales of its new product, Companion by Audientes.
- The expected EBITDA loss for the year was similarly reduced to a loss in the range of DKK (10)-(12) million as investment in certain marketing channels are eased.

Letter from the CEO

Audientes continued in the second quarter to gain momentum in India with satisfying revenue surpassing DKK 1 million for the first half of the year. We commenced the further development of our key partnerships with branded in-store promotions for Ven and introduced new functionality to the Audientes app to better support the dispenser sales process. Due to the current underperforming stock markets, we have reduced our upcoming funding aim and the outlook for 2022 has been adjusted accordingly. We furthermore announced the addition of a new situational hearing device to our product portfolio, Companion by Audientes and look forward to launching it in Q4, 2022.

Surpassing DKK 1 million in H1 revenue

We continued our growth in Q2 2022, our first quarter of sales, with a sales revenue surpassing DKK 1 million for the first half as we continue to ramp up. The interest for Ven in India is growing and we have established a strong footing there. Overall operations are progressing very well and market acceptance for Ven has been in line with expectations from previous market trials and partner discussions.

We have moved beyond the supply chain challenges experienced earlier in the year, mass producing Ven and importing it to India, where we are now building inventory, so we can meet the expected sales increase in the second half of 2022.

Further developing retail partnerships

In June, we also introduced a manual feed pure-tone audiogram for hearing dispensers to the Audientes app. On the advice of our audiologist network in India, this new feature allows dispensers to fit Ven based on the values of the pure-tone audiogram as measured by in-clinic pure-tone audiometers.

We also began the next phase of our partnerships with the launch of in-store Ven point-of-sale campaigns with Hearing Wellness Clinic. The goal of these campaigns is to raise the conversion ratio of total traffic of clients to hearing clinics, allowing for maximum exposure of Ven to potential customers. We will continue to roll these campaigns out to key partners in India in the coming months.

Companion by Audientes

We announced in July the addition of a new product to our portfolio with Companion by Audientes – a situational hearing solution to be launched in Q4 2022, with a focus on the US and thereafter in additional markets globally.

Companion is in the advanced hearables category and will extend Audientes' reach to the consumer electronics market where advanced hearables is one of the fastest growing segments globally. We believe that Companion will provide a valid alternative for those who are not quite ready for the cost and stigma associated with a traditional hearing aid.

Companion is built on the existing platform utilized in Ven and will enable Audientes to rapidly enter the US with a smart non-medical consumer electronics device, while we continue to work on products to be registered or approved by the United States FDA.



Steen Thygesen, CEO, Audientes A/S

Marketplace change

In June, we announced our intention to change Audientes' listing from First North to Spotlight. The Audientes Board of Directors, backed by our shareholders, believes the change to Spotlight will be a better fit for Audientes as Spotlight is a pan-Nordic trading platform with a strong presence in the mature Swedish investor community.

We firmly believe that Spotlight's strong presence in Sweden, and in other Nordic countries, has the potential to improve liquidity in the Audientes share over time. The marketplace switch is a key element in the next phase in our ambitious plan to become a leading Nordic actor in the new market for smart hearing health solutions, by internationalizing the investor base, attracting additional investors and to be in a cost-optimized environment with an increased number of Nordic investors.



Letter from the CEO, cont.

First day of trading at Spotlight

We have now received approval for the marketplace change from both First North and Spotlight. The estimated last day of trading in Audientes' shares on First North is September 16, 2022. The estimated first day of trading on the Danish segment of Spotlight is the following bank day, September 19, 2022.

The trading on Spotlight will use the existing Audientes ISIN-code and ticker name (AUDNTS). More information on the marketplace change as well as a FAQ are available on our website at www.audientes.com/pages/information-to-audientes-a-s-shareholders.

New guidance for 2022

While we have been busy executing our go-to-market activities, the world around us has changed. The development in the stock market in 2022 and the current climate in the capital markets means we are in a very different situation now compared to when we first communicated our funding aim.

In April, we announced our intention to raise approximately DKK 50 million over the next one-to-two years. Due to the current underperforming stock markets, our funding aim has been reduced. The funding aim and plan we currently are pursuing, which is being evaluated on an ongoing basis to keep both Company and shareholders' interests in mind, is likely to be divided into separate tranches over time. The details will be announced publicly later in this year.

Due to the reduced funding aim, our outlook for 2022 has been adjusted accordingly. Respectively, frontloaded investments in marketing activities, including broad investments in online channels and other business activities in general, will be eased and sales ramp up is expected to happen at a slower pace, thus also impacting the company's revenue growth trajectory.

Audientes' revenue expectations for 2022 have been adjusted to a range of DKK 9-12 million. The expected EBITDA operating profit/loss for the year has been improved to a loss in the range of DKK (10)-(12) million.

Focus on generating revenue from Ven

As we move into the second half, we therefore plan to invest less in marketing in the B2C channel and instead prioritize our B2B channel where conversion rates are steadily growing. We will continue to activate our 350+ points of sale, launch partner co-marketing initiatives and focus on generating revenue from Ven and the upcoming launch of Companion.

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

Steen Thygesen, CEO, Audientes A/S



Companion by Audientes - an advanced hearable that will extend Audientes' reach to the consumer electronics market.



Further developing partnerships with in-store pop-ups

In the first half of 2022, Audientes has been working with some of our key partners in India to further cultivate our relationship with agreements on co-marketing and in-store experiences.

Building strong partnerships is one of the critical factors for the success of Ven in India. This half we have been working closely with Hearing Wellness Clinic in India to further develop the scope of our partnership. We have therefore launched a Ven in-store point-of-sale (POS) campaign.

With strategically placed Ven branded POS installations, we aim to support Hearing Wellness Clinic in raising the conversion ratio of the total traffic of clients entering their hearing clinics.

“

“I believe this in-store campaign has the potential to raise awareness for Ven™ by Audientes and subsequently raise the proportion of clients who make the decision to buy this economically priced binaural hearing aid with a consumer electronic appearance.”

**Mr. Kamaljeet Singh, Managing Director,
Hearing Wellness Clinic.**

HWK Hearing Wellness Clinic

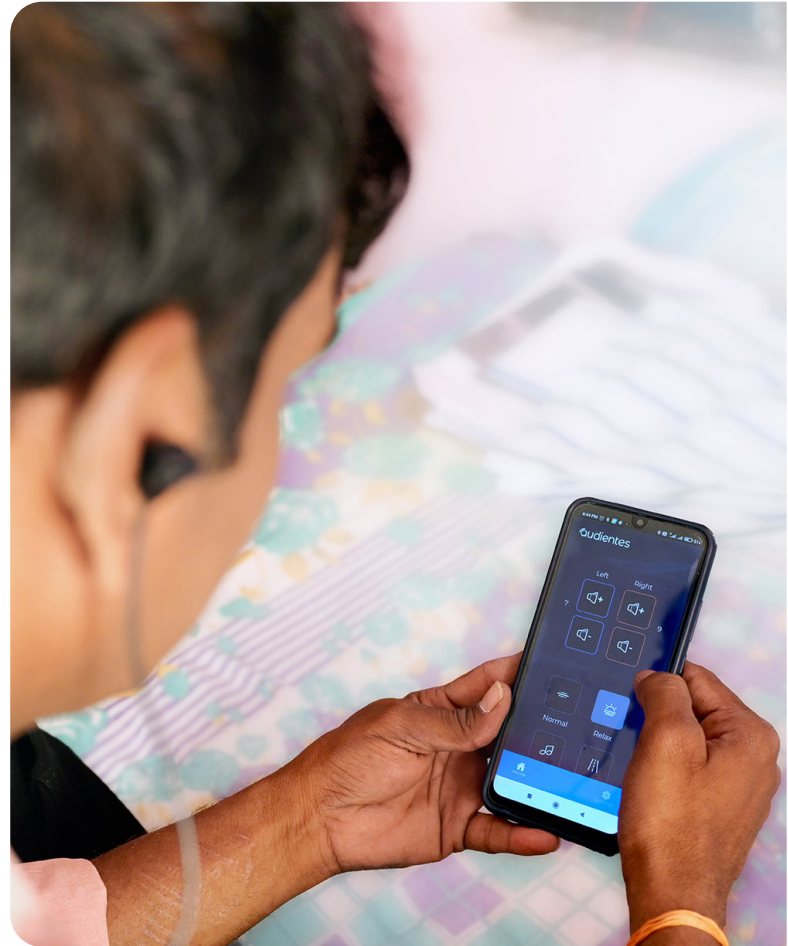


The Ven customer experience

How our customers in India are using Ven to help them hear better

During the first half of 2022, we welcomed our first Ven customers. Ven is now available for purchase through several hundred hearing clinics in India and we are seeing firsthand how it is benefiting people with mild-to-severe hearing loss. Our team in India is working closely with a select number of Ven users to gain feedback and to better understand their experience with Ven. This input is essential for Audientes as we continue to not only enhance Ven but also to develop our new Companion device, as well as future additional products.

Balaji is an insurance agent from Hyderabad. He purchased Ven in June through his local hearing clinic, Audientes partner, Challa's Hearing Care Centre & Speech Therapy Centre. He has disabling hearing loss in both ears but is unable to afford any of the high-end traditional hearing aids available on the Indian market. He has tried some low-cost personal amplification devices in the past but was dissatisfied with the results. Now, two months into using Ven, Balaji is more than happy with the results.



“

“As I have hearing loss in both ears, I wanted one hearing device that would serve both ears. That’s why I first became interested in Ven. This hearing aid has changed my life. Now, I can fully participate in conversations, both at home and at work. There are lots of things I like about it but mostly I’m happy with the sound quality, the fact that it’s also a Bluetooth headset, the rechargeable battery and that it’s two hearing aids in one. Ven is a great solution for people like me.”

Balaji, Audientes customer

Financial performance in Q2 and H1 2022

In Q2 2022, Audientes continued the accelerated pace of commercialization in India, and generated over DKK 1 million in revenue for the first half of the year. The increase in sales in Q2 2022 and activities and accomplishments are overall in line with plans and expectations for the quarter.

The financial development in Q2 2022 was characterized by the ongoing launch in India and building inventory for the expected demand.

Revenue

Revenue for Q2 2022 was TDKK 987 and TDKK 1,008 in H1 2022.

Gross profit/loss

Gross profit/loss for Q2 2022 was TDKK -1,625 compared to TDKK -1,708 in Q2 2021 and for H1 2022 TDKK -3,272 compared to TDKK -3,034 in H1 2021. Gross profit/loss covers income received less costs of goods and external costs.

Operating profit/loss

At the end of Q2 2022, Audientes' staff comprised nine employees in Denmark and seven in India, versus seven and one respectively at the end of Q2 2021. Additionally Audientes collaborated with several external consultants and outsourcing vendors.

In Q2 2022 staff costs totalled TDKK 1,703, up from TDKK 1,334 in Q2 2021 and for H1 2022 TDKK 3,414, up from TDKK 2,618 in H1 2021.

Operating profit/loss for Q2 2022 was TDKK -4,471 compared to TDKK -3,090 in Q2 2021 and for H1 2022 TDKK -8,972 compared to TDKK -5,756 in H1 2021. The operating loss for this period is in line with expectations.

Profit/loss

Other financial expenses for Q2 2022 was TDKK 660, up from TDKK 143 in Q1 2021 and for H1 2022 TDKK 699, up from TDKK 231 in H1 2021. The increase is driven by the new short term loan of TDKK 7,500 received in the beginning of May 2022.

For Q2 2022 tax is calculated at TDKK 542 and for H1 2022 TDKK 1,026 relating to expected disbursements under the Danish Tax Prepayment Scheme regarding development costs. These funds will be received from the Danish Tax Authorities in Q4 2023. The tax credit scheme makes it possible for companies and individuals to be paid the tax value of the part of their deficit that arises from research and development activities. The payment is tax-free. In

return, the tax loss for the year is reduced by the amount matched by the tax credit.

The loss for Q2 2022 thus amounts to TDKK -4,580 compared to TDKK -2,757 in Q2 2021 and for H1 2022 TDKK 8,630 compared to TDKK -5,508 in H1 2021.

Capitalization of development projects

During Q2 2022, Audientes continued the development of its hearing aid concept consisting of software and hardware technology that together create an innovative hearing aid solution.

Additions to intangible assets thus totalled TDKK 1,902 in Q2 2022, up from TDKK 1,097 in Q2 2021 and for H1 2022 TDKK 3,636 up from TDKK 2,147 in H1 2021.

After reduction of TDKK 1,934 in depreciation in H1 2022, Audientes has, in total capitalized TDKK 16,274 in development projects as intangible assets compared to TDKK 14,572 end of 2021.

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

Inventory

During H1 2022 inventory (incl. electrical components) has been built further up to be able to meet the expected demand. Inventory thus totalled TDKK 2,999 up from TDKK 1,366 at end of 2021.

Receivables

At end-Q2 2022 receivables totalled TDKK 5,460 up from TDKK 3,266 end of 2021. The increase is primarily driven by the trade receivable, which at end-Q2 2022 totalled TDKK 999 up from TDKK 0 end of 2021 and the tax receivable, which at end-Q2 2022 totalled TDKK 2,869 up from TDKK 1,843 end of 2021. The tax receivable is impacted by higher development activities, as this only includes expected disbursements under the Danish Tax Prepayment Scheme regarding development costs.

Equity

At end-Q2 2022, equity totaled TDKK 16,854 compared to TDKK 25,484 end of 2021.

With total assets at end-Q2 2022 of TDKK 29,784, the solvency ratio was 57% compared to 81% end of 2021.

Current liabilities other than provisions

At end-Q2 2022 current liabilities other than provisions totaled TDKK 12,930 up from 5.970 end of 2021. Current liabilities other than provisions mainly consist of short term loans, payables such as trade payables, personal income taxes, holiday pay obligation and subsidies from the Danish Market Development Fund not yet recognised as income yet.

The increase is driven by the new short term loan of TDKK 7,785 including accrued interest of TDKK 285.

Cash flow

At end-Q2 2022, cash and cash equivalents amounted to TDKK 3,680 compared to TDKK 10,554 end of 2021.

In Q2 2022 Audientes generated a cash flow from operations of TDKK -6,339 compared to TDKK -3,165 in Q2-2021.

After investments in development of TDKK 1,902 and receipt of a loan of TDKK 7,500 the cash flow in Q2 2022 totalled TDKK -741 compared to TDKK -4,369 in Q1 2021.

Events after the balance sheet date

No events that might significantly affect the assessment of the company's financial position have occurred after the balance sheet date.

The Half-Year Financial Report has not been audited.

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
November 17, 2022	Q3 2022 reporting
March 23, 2023	2022 Annual Report
April 18, 2023	Annual General Meeting 2023
May 16, 2023	Q1 2023 reporting
August 24, 2023	Q2 2023 reporting
November 9, 2023	Q3 2023 reporting

Further information

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Financial statements

Income statement

TDKK	Note	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Revenue		987	-	1,008	-	-
Other operating income		214	-	428	-	214
Gross profit/loss		-1,625	-1,708	-3,272	-3,034	-7,357
Staff costs	1	-1,703	-1,334	-3,414	-2,618	-5,860
Depreciation, amortisation and impairment losses		-1,143	-48	-2,286	-104	-1,143
Operating profit/loss (EBIT)		-4,471	-3,090	-8,972	-5,756	-14,360
Other financial income		9	4	15	7	50
Other financial expenses		-660	-143	-699	-231	-473
Profit/loss before tax		-5,122	-3,229	-9,656	-5,980	-14,783
Tax on profit/loss for the period		542	472	1,026	472	1,882
Loss for the period		-4,580	-2,757	-8,630	-5,508	-12,901

Balance sheet — assets

TDKK	Note	30.06.2022	30.06.2021	31.12.2021
Development projects in progress		3,636	11,545	-
Completed development projects		12,638	-	14,572
Intangible assets	2	16,274	11,545	14,572
Other fixtures and fittings, tools and equipment		1,231	290	1,545
Equipment		1,231	290	1,545
Deposits		140	107	151
Other financial assets		140	107	151
Fixed assets		17,645	11,942	16,268
Manufactured goods and goods for resale		2,999	143	1,366
Inventories		2,999	143	1,366
Trade receivables		999	-	-
Other receivables		1,040	804	1,325
Income tax receivable		2,869	879	1,843
Prepayments		552	515	98
Receivables		5,460	2,198	3,266
Cash		3,680	24,040	10,554
Current assets		12,139	26,381	15,186
Assets		29,784	38,323	31,454

Balance sheet — equity and liabilities

TDKK	30.06.2022	30.06.2021	31.12.2021
Contributed capital	935	935	935
Reserve for development expenditure	10,264	7,709	10,264
Retained earnings	5,655	24,219	14,285
Equity	16,854	32,863	25,484
Other payables	-	24	-
Non-current liabilities other than provisions	-	24	-
Bank loans	37	58	25
Other short term loans	7,785	-	-
Trade payables	1,984	924	1,606
Other payables	340	1,028	1,128
Deferred income	2,784	3,426	3,211
Current liabilities other than provisions	12,930	5,436	5,970
Liabilities other than provisions	12,930	5,460	5,970
Equity and liabilities	29,784	38,323	31,454

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			-8,630	-8,630
Equity end of the period	935	10,264	5,655	16,854

Cash flow statement

TDKK	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Operating profit/loss	-4,471	-3,090	-8,972	-5,756	-14,360
Amortisation, depreciation and impairment losses	1,143	48	2,286	104	1,143
Working capital changes	3	-2,645	16	1,826	1,023
Cash flow from ordinary operating activities	-5,973	-3,026	-10,331	-3,826	-12,194
Financial income received	9	4	15	7	50
Financial expenses paid	-660	-143	-699	-231	-473
Taxes refunded/(paid)	-	-	-	-	446
Cash flows from operating activities	-6,624	-3,165	-11,015	-4,050	-12,171
Acquisition etc of intangible assets	-1,902	-1,097	-3,636	-2,147	-6,072
Acquisition etc of property, plant and equipment	-	-67	-19	-86	-1,481
Changes in other financial assets	-	-40	11	-41	-86
Cash flows from investing activities	-1,902	-1,204	-3,644	-2,274	-7,639
Free cash flows generated from operations and Investments before financing	-8,526	-4,369	-14,659	-6,324	-19,810
Short term loan received	7,785	-	7,785	-	-
Cash flows from financing activities	7,785	-	7,785	-	-
Increase/decrease in cash and cash equivalents	-741	-4,369	-6,874	-6,324	-19,810
Cash and cash equivalents beginning of period	4,421	28,409	10,554	30,364	30,364
Cash and cash equivalents end of period	3,680	24,040	3,680	24,040	10,554
Cash and cash equivalents at period-end are composed of:					
Cash	3,680	24,040	3,680	24,040	10,554
Cash and cash equivalents end of period	3,680	24,040	3,680	24,040	10,554

Notes

TDKK	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
1. Staff costs					
Wages and salaries	2,055	1,586	3,990	3,104	6,879
Pension costs	180	121	348	225	469
Other social security costs	20	7	42	28	62
Other staff costs	33	46	95	104	256
	2,288	1,760	4,475	3,461	7,666
Staff costs classified as assets	-585	-426	-1,061	-843	-1,806
	1,703	1,334	3,414	2,618	5,860
Average number of full-time employees	15	8	15	8	8
2. Intangible assets					
Cost beginning of period	17,204	10,448	15,470	9,398	9,398
Additions	1,902	1,097	3,636	2,147	6,072
Cost end of period	19,106	11,545	19,106	11,545	15,470
Amortisation beginning of period	-1,864	-	-898	-	-
Amortisation for the period	-968	-	-1,934	-	-898
Amortisation end of period	-2,832	-	-2,832	-	-898
Carrying amount end of period	16,274	11,545	16,274	11,545	14,572
3. Changes in working capital					
Change in inventory	-1,294	-	-1,633	-	-1,366
Increase/decrease in receivables	-1,851	-499	-1,168	190	241
Increase/decrease in trade payables etc	500	515	-844	1,636	2,148
Total	-2,645	16	-3,645	1,826	1,023



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