audientes

Annual Report 2023

CVR No. 36 04 76 31

Table of contents

Audientes at a glance

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 and will be introduced in other markets in the coming years. Companion by Audientes is an advanced hearable, a consumer electronics product, that is commercially available in Europe and later in 2024 in Japan, China, and other markets.

Audientes' mission is to make high-quality hearing aids and hearables for hearing improvement or hearing enhancement accessible to everyone who needs them globally. Audientes is listed on Spotlight Stock Market Denmark (AUDNTS) and headquartered in Copenhagen, Denmark with subsidiaries in Hyderabad, India, and Tokyo, Japan.

Ven™ by Audientes

Ven is a self-fitting, binaural (both ears) hearing aid intended for people with severe up to profound hearing loss in one or both ears. With a built-in, industry gold-standard hearing test and Bluetooth capabilities, Ven combines the sound quality of a high-end digital hearing aid with the next-generation features of a modern Bluetooth headset.

Companion by Audientes

Companion is an advanced hearable and Bluetooth headset in one for people who want to hear better in certain situations. Companion provides crisp sound, clear audio and natural sounding speech, coupled with Bluetooth 5.2 connectivity for calls and media streaming.

Audientes during 2023

Progress summary

- 2023 did not deliver the expected sales performance but served as a foundation for expansion in 2024 in new markets besides India.
- Addressing the lower-than-expected sales performance in the Indian market by taking back distribution control and broadening our reach to Nepal a.o. countries in the region.
- Completed v2.0 major upgrade to our software platform for over-the-air product updates.
- The advanced hearable Companion by Audientes available in Europe via ecommerce.
- Companion localized and approved for the new markets of Japan and China.
- Partnered with Shenzhen Hengtong Partner Company for distribution in China and investment in Audientes.
- Entered distribution agreement in Japan with the large intl. distributor TD SYNNEX.
- Audientes and the Companion product was launched in Japan in November 2023, at the Danish Embassy. Japanese subsidiary subsequently established in February 2024.
- Prepared for product localization and established go-to-market plans in Japan and China with local distribution partners, with promotional activities in Tokyo and Shenzhen.

Financial summary for the Group

- Sales of products amounted in 2023 to DKK 1.3 million compared to DKK 0.1 million in 2022.
- Earnings before interest, tax, depreciation, and amortization (EBITDA) was in 2023 DKK -7.3 million compared to DKK -14.1 million in 2022.
- Depreciation, amortizations, and impairment amounted in 2023 to DKK 4.9 million compared to DKK 9.8 million in 2022 (including an impairment of DKK 4.8 million related to scrapped and replaced developments cost from before 2019).
- Profit/loss for the year amounted to DKK -13.4 million in 2023 compared to DKK -24.4 million in 2022.
- End of 2023, cash and cash equivalents amounted to DKK 0.4 million compared to DKK 6.9 million end of 2022.
- Equity amounted to DKK 4.0 million end of 2023 compared to DKK 13.0 million end of 2022.

Letter from the CEO

Overview of business progress

Audientes focused during 2023 on addressing the challenges faced in the Indian market while ramping up preparatory activities for expanding into new markets through strategic partnerships. The new markets include Nepal, which became operational with a local distribution partner in Q1 2023, and Japan and China, which will see sales starting in 2024.

Product sales increased to DKK 1.3 million in 2023, up from an albeit very small level of DKK 0.1 million in 2022. This was primarily generated in India and Nepal, and it was below our expectations. End of 2023, DKK 0.8 million of the sales are still unpaid and therefore a provision for bad debt of DKK 0.4 million has been expensed.

While we made much effort to unlock the Indian market opportunity, we were not successful with the overall outcomes for the year to the extent we had hoped for. We are in 2024 making a renewed attempt in this market with our improved Ven product offering, also in anticipation of new products planned and partnerships we aim to develop.

We have during 2023 seen good progress in establishing our presence in the new markets of Japan and China and obtained the needed approvals to introduce our advanced hearable “Companion by Audientes” on both markets. We had expected sales to start already in late 2023, but actual sales start will now be in 2024 due to the time needed to complete localization of the products and achieving sales readiness locally.

The financial performance of Audientes for the full-year 2023 shows a reduction in EBITDA to DKK -7.3 million compared to DKK -14.1 million the previous year, primarily due to the cost-saving initiatives implemented, which has led to a much-reduced cash burn. The consequence has also been reduction in certain activities and staffing in the marketing, sales, and new product development areas. Instead, we have focused on enabling local partners to market and sell our existing products. We had intended to push harder in the European market with the new ecommerce platform at audientes.eu in place but have had to prioritize the Asian markets in 2023.

Starting 2023 with an expanded portfolio of then two products, we also developed and released a major software update, the v2.0 release for both the Ven and Companion products. This added important improvements to the products incl. increased gain for the hearing aid Ven to meet end-user needs in India, as well as improved sound quality, noise reduction and sound programs for both. We have in March 2024 rolled-out the v3.0 release for download via app stores, including further improvements and languages such as Japanese and Chinese for the localized product versions and app software.

With an increased presence and a quite mature product offering in several new markets, the lean base we have established signals a credible path to profitability. The initiatives we have invested much in during 2023 have created a focused platform for execution in our priority markets, which is expected to contribute to the company's growth and market presence in 2024 and onwards. We expect therefore sales to ramp up substantially in 2024.

More details on the financial performance in the Annual Reports' *Financial Statements* section.

New software releases and additional products in the portfolio

Audientes has expanded its product portfolio in 2023 with the introduction of Companion by Audientes, an advanced hearable for people with a need for situational hearing enhancement. Companion was launched in Northern Europe in February 2023 and will gradually become available across the EU via online and retail sales. However, the primary focus has been to localize the Companion product and achieve sales readiness for Japan and China.

During 2023, we have been hard at work developing our software platform further. In response to the market learnings, Audientes developed and made available a substantial v2.0 platform software update for Ven and Companion in Q2 2023, significantly enhancing their performance and improving the overall customer experience.

The release of the v2.0 software platform upgrade was made available globally in the App Stores of Apple and Google for download wirelessly. This upgrade will power the Ven and Companion devices in the coming years and has since been complemented with the v3.0 release in March 2024, enhancing the product further with support for Japanese and Chinese in the app and in-device voice prompts.

These ongoing improvements provide our products with a substantial sound experience improvement and increased gain to support up-to profound hearing loss, thus benefitting existing and new customers, and improving the product/market fit of Ven for the Indian, Nepalese, and other markets. Both our Ven and Companion products benefits from the improvements we continue to make, enhancing their performance and customer experience.

Professional feedback from hearing health players as well as end user feedback received in India has prompted Audientes to commence the design and development of a new hearing aid offering to complement our neckband-product design and expand our addressable market into the mainstream segment for hearing aids, still with focus on affordable and accessible products for underserved customer segments. We are aiming at introducing a new hearing aid product in the more classic type called “Behind-the Ear” (BTE) in the “Receiver in Canal” style (RIC), using the Audientes app and software platform, co-developed and manufactured with partners. This will expand the portfolio of offerings from Audientes and reach a broader target group initially in China and India with a product form-factor currently representing most of the hearing aid market.

Software Platform and a move into licensing our IP.

Audientes is from the very start of 2024 embarking on a transformative journey with the introduction of a software platform licensing initiative, targeting OEMs and brand partners. Audientes will include software platform licensing for OEMs and brands in our strategy and execution, leveraging our existing software and hardware platform and product creation skills.

This strategic pivot is designed to accelerate revenue growth, diversify our business, and solidify our market presence. Audientes is aiming to capitalize on our extensive expertise in software development, production, regulatory navigation, marketing, and sales.

We will actively engage in dialogues with existing and prospective partners on new product development leveraging Audientes' software platform and product design capabilities. Target customers are those with a robust brand presence and distribution networks, aiming to deliver compelling consumer focused products through a swift market entry with sophisticated hearing technology.

The software licensing model will commence with a selective partnership approach to craft accessible and quality audio solutions that resonate with Audientes' mission to address hearing loss globally. It is anticipated that the licensing business will evolve into a significant component of our business model, aiding in the attainment of our long-term aspirations.

Products in scope for the Audientes platform may come in a variety of form factors, like neck-band designs (which Audientes have made), classic hearing aids of the 'Behind the Ear' (BTE) type (typically in the 'Receiver in Canal' style - RIC), "True Wireless" earbud designs, smart glasses with hearing enhancement functionality, and other innovative offerings. Audientes will continue to pursue its product business and market products under its own brand.

Continuing the effort in India.

India has a population of 1.4 billion and a significantly high amount of underprivileged people with untreated hearing loss. It is our original priority market and, based on our strong commercial insights and experience in that market, we believe in future success for Audientes offerings there.

The initial reception of Audientes' products in the Indian market has been an invaluable source of insights for the company, even if the sales in 2023 were still rather modest. The early stages of product marketing and sales provided a real-world testing ground, with praise received for the sound quality of the Ven hearing aid, while also revealing key areas for improvement and refinement.

Audientes began in 2022 to work with local and national NGOs in India to make Ven available to people in underserved communities. In Q1 2023, Audientes received an initial order from The Association of People with Disability (APD), with whom we collaborate to address deserving clients in densely populated, low-income urban settlements, over time moving into rural areas throughout India as part of our broader sales strategy. We aim to develop further such partnerships across the nation.

Audientes announced in May 2023 a collaboration with a new exclusive partner in India, Earkart, which held the promise of substantial sales revenue in India and expected sales to approach DKK 4.8 million in the coming 12 months. To fully comply with the exclusivity provisions of the distributor agreement with Earkart India, we withdrew the distribution rights from our hearing clinic distributors and dealers and took back unpaid products.

The upgraded Ven product was introduced on the Indian market in Q2 2023 with the new and improved v2.0 software release, with certain modifications required by Earkart. However, the market introduction and rollout were significantly delayed, and follow-on sales orders did not materialize in Q3 due to the lack of channel readiness, focus and emphasis on our product that was required to develop the channels and ramp up sales. Unfortunately, contrary to our expectations for the year, the sales performance in India during the remainder of the year has been equally disappointing.

While we have gone to a very large extent to support Earkart to achieve the expected sales targets, we have unfortunately had to end the exclusive distribution collaboration due to the lack of results and non-performance on essential parts of the distribution agreement.

We are now taking back the full responsibility for the distribution of Audientes' products in India, giving us renewed control of the focus and effort put into marketing and sales of our current and future products. We will, however, be open to partner with organizations going forward provided the collaboration contemplated make commercial sense.

Opening Nepal.

Audientes has also entered into a collaboration agreement with M.B. Meditech, a hospital equipment and surgical supplier based in Kathmandu for the distribution and sale of Ven in Nepal, marking the first country in Asia outside of India to place a product order and receive Audientes products.

The expansion into Nepal aligns with Audientes' mission of offering accessible and affordable hearing health solutions in underserved geographies. Our India-based team has been visiting the distributor on several occasions for product and sales training to help with the market introduction of the Ven-product and overall concept.

Subsidiary established in Japan for sales start.

During the latter part of 2023 we have completed the Japanese version of our advanced hearable product Companion by Audientes, which received the needed type approval from the Japanese Ministry of Telecommunications (MIC) related to Bluetooth radio functionality.

We signed a distribution agreement with TD SYNNEX, a leading distributor and solutions aggregator in Japan, part of the global TD SYNNEX group, with a large reach in consumer electronics channels.

We are now actively working to introduce Audientes' hearing healthcare products in several consumer electronics channels in Japan.

The launch of Companion in Tokyo at the Danish Embassy in November 2023 signals Audientes' entry in the Japanese market in a country with the world's second highest proportion of people aged over 65 and approximately 14 million people suffering from some degree of hearing impairment, but with a very low penetration of hearing aids.

Audientes has in February 2024 completed establishing a subsidiary in Japan, Audientes Co. Ltd. Our ownership is shared with the local leadership team who will spearhead the market development in Japan.

Accelerated market entry into China.

We have accelerated our market entry in China with several years compared with earlier plans due to a strategic distribution partnership with Shenzhen Hengtong Partner Company Ltd. To show their commitment to Audientes and the Chinese market, Hengtong completed a strategic investment of DKK 1 million during Q3 2023 by subscribing to a directed issue of new shares in Audientes.

Hengtong has placed an initial, fully prepaid product sales order totaling DKK 0.6 million, which will be delivered and recognized in 2024, together with expected follow-on orders during the year.

Together with Hengtong, Audientes is working on localizing the Companion product for the Chinese consumer electronics market. The SRRC (State Radio Regulation of China) equipment type approval was secured in late 2023 and the creation of fully localized products is in progress, including local product naming reflected in the packaging and user guides.

Additionally, once medical device approvals are obtained in China in collaboration with Hengtong, our hearing aid, Ven™ by Audientes, will also be introduced on the Chinese market, just like future products such as our BTE/RIC product will be, which we are going to co-create with Hengtong and seek local approvals for.

More focus on Europe in 2024

Audientes started marketing and selling Companion in Europe in Q2 2023 with product availability through local partners in Denmark and Sweden. Companion has also been made available in Europe via Audientes.eu online store and sold in modest numbers due to no major investment in marketing yet but has even reached customers in the Faroe Islands.

We have recently begun to focus further on the “consumer electronics” business initially in the Nordics through more business development of the retail segment. With a view to other opportunities across Europe with the Companion hearable, we will continuously evaluate other markets in Europe and monitor local conditions with a view to enter these when opportunities are verified, and conditions are right.

Capitalization and our plans

Audientes has previously on February 15, 2023, communicated that it would evaluate different alternatives including longer-term structures such as partnerships, merger, sale of the business or its assets, or a strategic investment, as part of its capitalization plan. The actual capitalization approach in 2023 included a combination of bridge loans and directed issues to procure working capital to fund its operations and growth plans.

Specifically, Audientes secured an accelerated market entry in China through a partnership with Shenzhen Hengtong Partner Company Ltd., who also made a strategic investment of DKK 1 million in Audientes in Q3 2023.

Audientes completed in Q4 2023 a directed issue of new shares via a cash capital increase combined with conversion of some debt, for a total of DKK 1 million; a grant of 3.2 million warrants to be exercised by March 28, 2024, was also included (they are not expected to be utilized due to the share price having been below the nominal share value at DKK 0.1 in the pricing period).

The company remains focused on securing further growth capital and financing options to support its future market development activities, new product development, medical device approvals, product maintenance and support obligations, among other essential undertakings.

The current capitalization plan for 2024 include a convertible bridge loan (on terms like previous loans obtained by the Company) leading up to a rights issue aimed at existing shareholders in Q2 2024 timeframe. This rights issue may be complemented by a further directed issue of shares, another rights issue later in the year, and debt conversions. Audientes aim to secure at least DKK 11 million in financing of its operations in 2024, in sensible steps depending on our share price and need for additional financing.

In addition, remaining convertible loans (originally secured in 2022) amounts to DKK 3.7 million at the end of March 2024, with no interest and no instalments due until the loans are maturing by the end of September 2024. The lenders may elect to convert the loans partly or wholly to shares at market price at certain points during the coming year, coinciding with the release of Audientes' quarterly and annual reports or with the issue of new shares. We expect the debt to reduced further during 2024 subject to further conversions of debt to equity.

Consequently, in accordance with statements made last year, we persistently assess an array of diverse alternatives for procuring the necessary financing within the near-to-intermediate timeframe, while also working towards a sustainable business operation for the longer term.

If the forthcoming critical funding round(s) and/or the potential financing avenues fail to materialize as anticipated, this would have serious consequences for the company, including its ability to grow it business further and continue operating. The current corporate development strategies will generally be subject to adaptation in accordance with the company's financial constraints and resources.

Outlook for 2024

Due to the uncertainty around the size and timing of product sales and funding events, Audientes do not provide actual guidance for 2024, as we did not do it for 2023 either.

However, we are in early 2024 expanding our product sales business with the advanced hearable product, Companion, in Japan and China. We are also focusing on bringing the business in India to a point of breakeven in the coming year. In Europe we aim to further emphasize ecommerce sales to grow sales across the region, with initial emphasis on Denmark, Sweden, and Germany.

Audientes will evolve our new software platform initiative with a licensing model for OEMs and brands. We expect to engage with one or more partners in 2024 to develop new products using Audientes' software platform and reference design.

Closing remarks

By focusing on high-quality, cost-effective hearing solutions and strategic partnerships, Audientes commits to a sustainable and profitable trajectory, benefiting both customers and shareholders.

We have submitted the Annual Report for 2023 based on our belief that Audientes is a going concern.

Reference is made to note 1 “Going concern”.

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

Steen Thygesen, CEO, Audientes A/S

Financial highlights for the Group

DKK '000	2023	2022	2021	2020	2019
Income statement					
Revenue	1,266	79	-	-	-
Other operating income	1,395	856	214	-	-
Earnings before interest, tax,, depreciation and amortization (EBITDA)	-7,299	-14,058	-13,244	-5,672	-110
Earnings before interest and tax (EBIT)	-12,213	-23,817	-14,387	-5,685	-110
Profit/loss for the year	-13,405	-24,362	-12,901	-5,138	-315
Balance sheet					
Intangible assets	8,750	11,009	14,572	9,398	7,549
Inventories	3,429	4,647	1,366	-	-
Cash and cash equivalents	434	6,948	10,554	30,364	78
Total assets	14,394	26,601	31,454	42,195	7,699
Equity	4,020	13,049	25,484	38,372	3,931
Cash flow					
Cash flow from operation activities	-8,771	-14,644	-12,171	-7,079	557
Cash flow from investing activities	-1,913	-5,680	-7,639	-2,214	-551
Free cash flow	-10,684	-20,324	-19,810	-9,293	6
Cash flow from financing activities	4,170	16,718	-	39,579	-
Net cash flow for the year	-6,514	-3,606	-19,810	30,266	7
Other key figures and ratios					
Equity ratio in %	27.9%	49.1%	81.0%	90.9%	51.1%
Average number of full-time employees	11	16	8	4	1
Earnings per share (in DKK)	-0.30	-1.28	-1.38	-0.79	-0.09
No. of shares beginning of the year	28,747,020	9,349,010	9,349,010	3,687,300	3,687,300
No. of shares end of the of year	59,384,318	28,747,020	9,349,010	9,349,010	3,687,300
Average number of shares in the year	44,065,669	19,048,015	9,349,010	6,518,155	3,687,300

Financial review 2023 for the Group

The financial review will be based on the performance for the Group except when otherwise indicated.

Revenue

Revenue from sales of hearing devices amounted in 2023 to DKK 1.3 million compared to DKK 0.1 million in 2022 (after provision for products to be taken back from customers).

The revenue relates primarily to sales in India and Nepal. Due to prudence related to the business culture and local customs in India as a developing country, sales to Indian customers in 2023 except for Earkart were recognized when payment from customers were received. Invoiced sales of DKK 0.1 million were not recognized.

Other operating income

Other operating income of DKK 1.4 million compared to DKK 0.9 million in 2022 related beside to support from the Danish Market Development Fund of in total DKK 3.4 million, which will be recognized over four years beginning in 2021, to marketing export subsidies of DKK 0.5 million.

Gross profit/loss

Gross profit was in 2023 realized at DKK -1.9 million compared to DKK -4.5 million in 2022.

The improvement in Gross profit/loss of DKK 2.6 million was primarily driven by cost savings in general within “Other external costs” as development costs, administration costs and sales costs.

Staff costs

Staff costs amounted in 2023 to DKK 5.4 million compared to DKK 9.6 million in 2022 – the decrease primarily driven by the reduction of number of full-time employees in 2023 of 5 employees to average 11 full-time employees in 2023 and by the provision for wages etc. expensed in 2022 to employees made redundant end of 2022. End of 2023, 8 employees were in full-time equivalent positions. The full-year impact from the organizational down-sizing is to be fully realized in 2024.

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment on intangible and tangible assets amounted in 2023 to DKK 4.9 million or DKK 4.8 million lower than in 2022 primarily driven by the impairment of DKK 4.8 million expensed in 2022 related to scrapped and replaced development costs from before 2019.

Operating profit/loss

Operating profit/loss was in 2023 DKK -12.2 million compared to DKK -23.8 million in 2022.

Financial items

In 2023, net financial income and expenses amounted to DKK -1.9 million or DKK 0.5 million lower than in 2022 – driven by lower interest expenses due to new non-interest-bearing convertible loans and lower fees related to loan taken.

Profit/loss for the year

Tax for the year is calculated to an income of DKK 0.7 million related to expected Credit Scheme disbursements under the Danish Tax Prepayment Credit, compared to an income of DKK 1.9 million in 2022. The lower tax income is related to lower development costs in 2023.

The loss for the year 2023 thus amounts to DKK –13.4 million compared to DKK –24.4 million in 2022.

Capitalization of development projects

During 2023, Audientes continued the development of its hearing solutions consisting of software and hardware technology that together create an innovative platform for creation of hearing product.

In 2023, DKK 2.1 million was capitalized under development projects compared to DKK 5.6 million in 2022. Capitalized development costs end of 2023 hereafter amounted to DKK 16.1 million, where of DKK 0.2 million related to new functionality of the products to be marketed in 2024.

The booked value of development projects amounted to DKK 8.8 million end of 2023 compared to DKK 11.0 million end of 2022.

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

Inventories

Inventories amounted to DKK 3.4 million end of 2023, which correspond a decrease of DKK 1.2 million from the end of 2022. The inventory primarily consists of finished goods.

Receivables

Receivables from sales amounted to DKK 0.4 million end of 2023 and relate to overdue receivables from sales in Q2 2023. The trade receivables have been reduced by a provision for bad debt of DKK 0.4 million expensed in 2023. Trade receivables amounted to DKK 0 million end of 2022 impacted by the provision for taken back of products not been paid for in connection with entering the exclusive distributor agreement with Earkart in India.

End of 2023, Other receivables amounted to DKK 0.2 million compared to DKK 0.6 million end of 2022 – the decrease driven by lower VAT receivable.

Tax receivable amounted end of 2023 to DKK 0.7 million and consist of tax credit from the Credit Scheme disbursement under the Danish Tax Prepayment Scheme regarding development costs. The tax receivable amounted to DKK 1.9 million end of 2022.

Equity

Outcome from the exercise of warrants of series TO1 and “Direct Issue of Units” carried out during 2023 have increased the equity by DKK 2.8 million before transaction and advisory costs. Conversion of debt have in 2023 increased the equity by DKK 2.1 million corresponding a total increase of DKK 4.9 million, however compensated by transaction and advisory costs of DKK -0.5 million causing a net increase equity of DKK 4.4 million, where of DKK 3.1 million related to Contributed capital.

Including a net loss in 2023 of DKK -13.4 million, the equity decreased from DKK 13.0 million at the end of 2022 to DKK 4.0 million at the end of 2023.

At the end of the financial year, the solvency ratio was 27.9% compared to 49.1% end of 2022.

Current liabilities other than provisions

Current liabilities other than provisions end of 2023 totaled DKK 10.3 million compared to DKK 13.5 million end of 2022. The decrease related primarily to lower trade payables of DKK 2.4 million related to the lower transaction and advisory costs and lower debt to product suppliers.

Cash flow

End of 2023, cash and cash equivalents amounted to DKK 0.4 million compared to DKK 6.9 million at end of 2022.

Cash flow from operations before change in working capital amounted to DKK –6.9 million compared to DKK –13.9 million in 2022. The improvement related to the lower negative EBITDA.

Change in working capital was in 2023 negative with DKK -1.9 million compared with negative by DKK -0.2 million in 2022 – driven by the decrease in trade payables and other payables of DKK -3.0 million, only partly compensated by lower investment in inventories DKK 1.2 million.

After financial expenses, net paid and tax refunded, net, cash flow from operating activities amounted to DKK –8.8 million in 2023 compared to DKK –14.6 million in 2022.

Cash flow from investing activities amounted in 2023 to DKK -1.9 million compared with DKK –5.7 million in 2022 driven especially by lower investments in intangible assets.

Free cash flow amounted in 2023 to DKK -10.7 million compared with DKK -20.3 million in 2022.

Cash flow from financing activities amounted in 2023 to DKK 4.2 million and consisted of capital increase of net DKK 2.8 million and by loans taken of net DKK 1.4 million. Cash flow from financing amounted in 2022 to DKK 16.7 million.

The decrease in cash and cash equivalents amounted in 2023 to DKK -6.5 million compared to DKK -3.6 million in 2022.

Proposal for disposition of Audientes' result

The loss for 2023 of DKK -13.4 million is suggested transferred to "Retained earnings" in equity.

The Board furthermore propose that no dividend to be paid for the financial year 2023.

Events after the balance sheet date

Securing further growth capital represents a paramount imperative for Audientes aimed at satisfying the essential financial requirements for Audientes' basic operations, market development, new product development initiatives and the requisite medical device approvals, among other essential undertakings. Consequently, in accordance with our repeated references throughout last year, we persistently assess an array of diverse alternatives for procuring the necessary financing with the near-to-intermediate timeframe, while also working towards a sustainable business operation for the longer term.

Should Audientes not be able to secure timely further funding, it could have consequences for the Company, including its ability to grow it business further and, ultimately, continue operating.

Audientes has during 2023 achieved funding of net DKK 4.4 million, latest completed a directed issue of new shares via a cash capital increase combined with a conversion of some debt, for a total of DKK 1 million. including a grant of 3,159,048 warrants to be exercised by March 28, 2024. The Company considers it unlikely these warrants will be utilized due to their exercise price will be higher than the current share price and VWAP calculated prior to the exercise date in line with the warrant-agreements.

Due to lack of commercial and financial results as well as non-performance on essential parts of the distribution agreement, Audientes has in March 2024 ended the exclusive distribution collaboration with Earkart on the Indian market and has taken back the full responsibility for the distribution of Audientes' products on the Indian market, however, remain still open for to partner with relevant organizations going forward.

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

Going concern

Despite a funding of net DKK 4.4 million during 2023, the need for liquidity is still a challenge to develop the company commercially and to execute on the business plans.

The Company's execution of its business activities in 2024 is fully depending on further capital injection and prolonging, refinancing or conversion of current convertible loans as well as successful execution of the sales budgets for the year.

The budget for the year is especially based on a successful sale of the updated Ven product on the Indian market and successful entering on the Chinese and Japanese markets with two new distributors.

The Management fully acknowledge the commercial and financing challenges and risks. It is the Management's assessment that the company is going concern, however, uncertainty exists and further funding within the coming months is required. The Management works together with financial and strategic advisors and is in dialogue with several stakeholders and potential investors etc. to secure sufficient funding.

Reference is made to note 1: Going concern.

Risk management

Introduction

Risk management is a priority focus area for Audientes as an integral part of daily operations to ensure rapid response in the face of changing conditions.

The overall responsibility for risk management lies with the Board of Directors in close collaboration with the Management.

Audientes has identified several risk factors which are outlined below in order of priority as regards significance and probability.

1. Revenue

Marketing of Audientes products Ven commenced in Q2 2022, and Companion in Q1 2023. The products are still new in their categories and the markets they are sold in, and there is an associated risk of demand not being sufficiently high in the market for the Audientes hearing aid to sustain company operations.

To minimize this risk, Audientes has engaged people and partnered with organizations with deep experience in building and driving consumer electronics and hearing aid sales. While this is not a guarantee of sale or payments, it ensures that the product's potential is propagated in the market through several channels and well reputed distributors and retailers.

2. Capital risk

Audientes' growth strategy anticipates further capital injection in 2024 to manufacture, market, sell and support its hearing aid product Ven™ and Companion in sufficient quantities to meet its stated financial goals for the year.

To be able to support its growth strategy and need for working capital to support its ongoing operations, Audientes may elect to finance its market development in India, China and Japan by separate capital injection as public or private placements, loans, or grants, subject to availability.

Should Audientes not be able to secure timely to further funding, it could have consequences for the company, including its ability to grow it business further and, ultimately, continue operating.

3. Regulation - Medical device approval

To be marketed and sold as a medical grade hearing aid, i.e. a medical device, which is a part of Audientes' core strategy, its hearing aids will need to undergo medical device approvals in several markets. Audientes approach to medical device approvals spans the next couple of years, where we expect to receive the needed certifications, leveraging its quality management system introduced in 2022 in the preparation of the necessary documentation for submission of applications to the regulatory authorities.

Our current plans for registration and/or approval in countries include, but is not limited to India, China, USA, and Europe. Should Audientes not obtain these targeted approvals in a timely manner or at all, or if approvals are only obtained after a longer period than anticipated, then the impact on Audientes could be significant in the markets in question.

To address the potential risks of delays in the planned approval processes of FDA, CE/MDR, etc., the company has assembled a team of expert consultants with experience in certification and approval processes.

To mitigate the inherent risk in required approvals and certifications for certain markets, Audientes' may decide to have its product(s) categorized and sold as a sound amplifier product, such as Personal Sound Amplification Products (PSAPs) and Assistive Listening Devices (ALDs), to get market access in a timely manner.

Such products are marketed and sold as consumer electronics products and has a simpler approval scheme. Audientes' Companion product is already approved for marketing in Europe, USA, Japan, and China.

4. Product development

Audientes will commence product development activities for future products to constantly evolve its product portfolio of compelling offerings to prioritized markets and customer segments.

There is a risk that these new products will not be fully developed and ready for mass production and sale as scheduled according to our product roadmap, which is being updated regularly. Delays in the development and readiness of new products could have a serious impact on Audientes' longer-term ability to generate timely cash flow from the sale of its future hearing aids products.

This would have serious consequences for the company, including its ability to grow it business further and continue operating.

To mitigate this risk, Audientes has assembled a team of external experts with extensive experience in design, development, and market introduction of new products. This team have collaborated with Audientes on bringing Ven™ and Companion to market.

5. Supply chain

Delays in the supply of functioning products such as Ven and Companion to Audientes could have a serious impact on Audientes' ability to generate timely cash flow from the sale of its products. Failure to generate cash from sales of products will have serious consequences for the company, including its ability to grow its business further and continue operating.

To mitigate this risk, Audientes has engaged experts and consultants with supply chain and production expertise. These people work with our manufacturing partners and other supply chain partners such as those providing core semiconductor components like Qualcomm and other components for our products, to ensure components and materials are ordered and delivered at the right time and in the expected quality.

6. High production and shipping costs

Prices for materials, components and shipping increased during the Covid-19 pandemic when supply chains became under increased pressure. While this has stabilized somewhat, there is a risk that the cost of production could be higher than expected, ultimately resulting in an increased retail price for the products. Such a price increase could have a negative impact on the market and, subsequently, company earnings.

During the past six years, Audientes has established a strong collaboration with our production partner, Swedish-owned OSM Global ("OSM"), to develop and optimize product design and to ensure favorable component prices and predictable deliveries from our suppliers.

OSM purchases components in very large quantities to produce several million products annually and can therefore secure volume discounts for the benefit of Audientes.

Further mitigation of production cost effects will happen as Audientes increases the number of manufactured units, as costs is likely to decrease then, subject to our scale of manufacturing and our position to negotiate and secure good rates.

7. External production and development partner

Audientes has been working with OSM since 2017 on both the development and production of the market-ready products. OSM manufactures in several countries, including China which is currently the site of production for Audientes.

The agreement with OSM is based on sub-agreements for each step of product development and production. In the case that OSM terminates the current agreement and subsequent sub-agreements, and we cannot define new sub-agreements, including the production agreement, Audientes will be forced to find another supplier of these services, just it will need to produce its future products.

To deal with risk of delays related to OSM and the production, Audientes has engaged experts within design for manufacturing, production, and supply chain management as external consultants to acquire and develop its capabilities in this area. These people ensure sharp focus on weekly milestones and priorities, coupled with a close daily dialog with OSM and other manufacturing partners at all stages of product development and production, to ensure products are optimized for manufacturing, minimize delays to supply of critical semiconductor and other components and materials, and optimize in general all supply chain and production related matters.

8. Organization

Currently, Audientes is a small-sized company. Therefore, a change in the Top Management (CEO and CTO) could have significant consequences for the development, production, and sale of Audientes products.

To address this staff-related risk, an incentive scheme for the CEO and CTO has been implemented and will be further developed as deemed appropriate by the Board of Directors with the required authorizations from the Company’s shareholders.

9. The geopolitical situation

There are armed conflicts, unrest, and international sanctions effective in several markets of interest to Audientes. While the company is not able to predict the development in these areas and how it will affect its business in production and sales of its hearing aid products, increased turmoil in the world may have an adverse effect on Audientes manufacturing and supply chain overall, as well as its sales and marketing of its products in new and future markets.

Effects from armed conflicts and similar events may hinder Audientes to produce, ship and generate cash from sales of products, which will have serious consequences for the company, including its ability to grow it business further and continue operating. While Audientes cannot reasonably predict about future impact on the company, we do not currently see a material impact of current international conflicts to our supply chain, our own development, production by OSM, and market access in Europe, India, China, and Japan.

Board of Directors and Management

Hossein Jelveh, Chairman, CTO & Founder

Chairman since 10/03/2023.

Founder of Audientes in 2014, CTO since 27/08/2018. Hossein founded Audientes in 2014. He has worked in product R&D for over 30 years and has broad experience in the hearing aid industry, the wireless industry, and the mobile/medical device domain, as well as 20+ years of SW architect and development experience. Until 2020, Hossein was a member of Audientes' Board of Directors and Chairman since March 2023. He is director and owner of Jelveh Holding ApS, the sole purpose of which is to function as a holding company for his ownership stake in Audientes A/S

Owns 2,255,010 shares in Audientes A/S through fully controlled holding company Jelveh Holding ApS. Privately holds 270,000 warrants in Audientes A/S.

Steen Thygesen, Board member, CEO

Board member since 08/03/2023.

Joined Audientes in October 2017 and CEO since 27/08/2018. Steen holds an MBA from London Business School and a Bachelor of Science in Electrical Engineering from Copenhagen University College. He has held executive positions within strategy, sales and management in technology companies such as Star, Nokia, Microsoft, Symbian and TDC. Additionally, he spent four years as CEO of the non-profit organization Specialisterne Foundation. Steen was a member of Audientes' Board until 2018 and again from March 2023. Since 2016, Steen has been a mentor at DTU Science Parks' DeepTech mentoring program.

Owns privately 310,789 shares in Audientes A/S. Privately holds 483,532 warrants in Audientes A/S.

Hiroshi Maeda, Board member

Board member since 08/03/2023.

Hiroshi is a graduate of the State University of New York. He has held a number of strategic positions in companies such as Motorola, where he was responsible for launching the mobile phone business, as well as director of business strategy for smartphone platforms at Symbian, Microsoft and Nokia. He has over 30 years of experience in launching new business units and building alliances in the tele-communications, Mobile communication and ICT industries. Since 2015, he has established Japan subsidiaries and held director positions for Wiko, Cloudmade and Star. Today, he is part of United International Group and has established United Innovations Co., Ltd. in Japan.

Owns privately 368,338 shares in Audientes A/S.

Independent of Company.

Wendi Ma, Board member

Board member since 04/01/2024.

Wendi has a degree in Business Administration from Shangtao University, China. He is an experienced professional in business collaborations between Nordic companies and China. Wendi has worked with Scandinavian companies like Hästens AB, SensoDetect AB, and Vibrosense Dynamics AB. Wendi serves as a board member at Sensodetect AB and Scandinavian Medicon Invest AB. Wendi is also the Director of International Business in China at Scandinavian Executive Education & Research AB, and the CCIC Representative Officer in Scandinavia. He represents companies like Guangzhou Pharma, Nextcell Pharma AB, Diamyd AB, Midsona AB, Vidasal AB, Acrilex AB, and Ternicol AB.

Independent of Company.

Shareholder information

Audientes shares

The closing price end of 2023 was DKK 0.10 (2022: DKK 0.60), corresponding to a market value of approximately DKK 6 million (2022: DKK 17 million).

Audientes is a commercial company with an expectation of a strong newsfeed in 2024.

Share capital

Audientes' share capital at the end of 2023 was nominal DKK 5,938,432 divided into 59,384,318 shares of DKK 0.10 each. On March 25, 2024, the share capital was DKK 6,938,432 divided into 69,384,320 shares. The company has one class of shares, and all shares carry the same voting rights, i.e. one vote. The shareholders must be registered in the company's register of shareholders to be allowed to vote at the company's annual general meeting.

Ownership

As of March 25, 2024, Audientes A/S had over 2,350 registered shareholders (end 2022: over 2,800), incl. shares held by customers of Nordnet Securities Bank AB (1.12%), THE BANK OF NEW YORK MELLON SA/NV (8.42%), and STATE STREET BANK AND TRUST (0.52%), holding 83% of the company's share capital (2022: 75%).

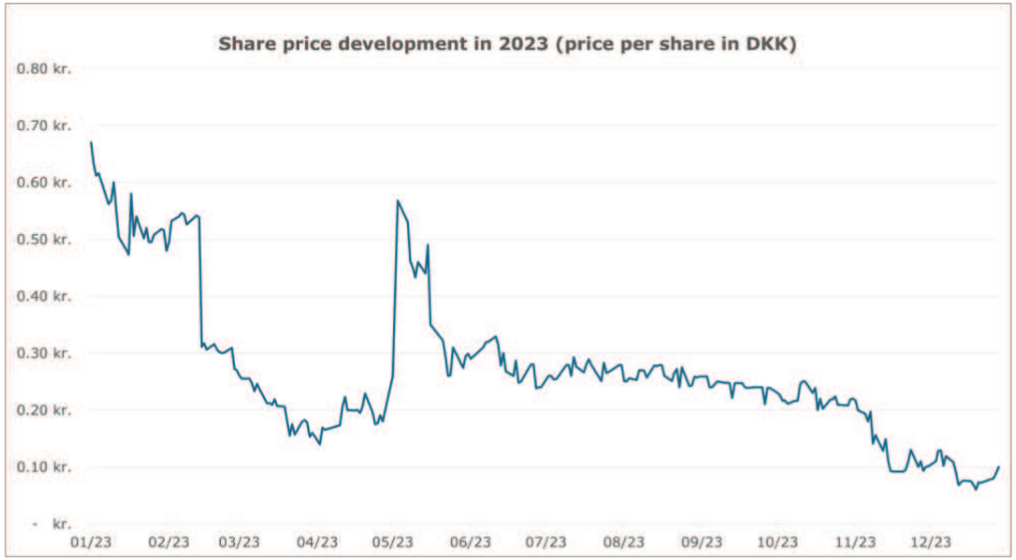
As of March 25, 2024, two shareholders had declared a shareholding of more than 5%:

Shareholder	No. of shares	Holding, %
Michael Ole Fehrn	9,213,325	13.29
Shenzhen Hengtong Partner Company Ltd.	3,562,522	5.13

As of March 25, 2024, the current members of the Company's Board of Directors and the Management held a total of 4.23% of the share capital.

Shareholder	No. of shares	Holding, %
Jelveh Holding ApS*	2,255,010	3.25
Steen Thygesen	310,789	0.45
Hiroshi Maeda	368,338	0.53
Total	**2,934,137**	**4.23**

*Jelveh Holding ApS is owned by Hossein Jelveh, CTO and founder of Audientes.



Warrants

Audientes has an incentive program consisting of warrants awarded to members of the Board of Directors and the Management as well as to employees of the company.

The main terms of the warrant programs are laid out in the company's Articles of Association, which can be found on Audientes' website at www.audientes.com.

In 2023, the Company did not issue warrants to management of staff, but only to 6 investors participating in a directed issue on October 12, 2023, entitling the warrant holders to subscribe to 3.2 million shares with a nominal value of DKK 0.1. to be subscribed for before March 28, 2024. The Company considers it unlikely these warrants will be utilized due to their exercise price will be higher than the current share price and VWAP calculated prior to the exercise date in line with the warrant-agreements.

The Board of Directors is authorized to issue additional warrants at a nominal value of DKK 5.3 million.

Share data

Market:	Spotlight Stock Market
Industry:	Denmark Healthcare
ISIN code:	DK0061406618
Ticker:	AUDNTS
Share capital:	DKK 6,938,432
Nom. value per share:	DKK 0.1
No. of shares:	69,384,320
Votes:	One share carries one vote

Share data as per March 27, 2024.

Financial calendar

April 18, 2024	May 23, 2024	August 29, 2024	November 21, 2024	February 26, 2025
Annual General Meeting 2024	Q1 2024 reporting	Q2/half-year 2024 reporting	Q3 2024 reporting	Q4/end of year 2024 reporting

Investor relations

Audientes desires an open and continuous dialogue with shareholders, potential investors, and the public. Therefore, all shareholders are encouraged to register in the company's register of shareholders according to the company's Articles of Association.

Additionally, all shareholders are invited to sign up for the company's news service through the company's website at www.audientes.com.

Annual General Meeting

The company's 2023 Annual General Meeting will be held at Teknikerbyen 5, 2830, Virum, Denmark on April 18, 2024, at 3.00 pm.

The Board of Directors recommends to the Annual General Meeting that no dividend be paid for the financial year 2023 and that the loss for the year of DKK -13.405 million to be transferred to next year.

Further information

Questions and comments from shareholders, analysts and other stakeholders should be addressed to:

Steen Thygesen, CEO
Email: steen.thygesen@audientes.com

Audientes A/S
Teknikerbyen 5
2830 Virum

Tel.: +45 77 34 16 80

www.audientes.com

Statement by the Board of Directors and Management

The Board of Directors and the Management have today considered and approved the annual report of Audientes A/S for the financial year 2023.

The consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2023 and of the results of its operations and cash flows for the financial year 2023.

We believe that the management commentary contains a fair review of the affairs and conditions of Group and the Parent Company referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Virum, March 27, 2024

Management

Steen Thygesen

Hossein Sandfeld Jelveh

Board of Directors

Hossein Sandfeld Jelveh

Steen Thygesen

Hiroshi Maeda

Wendi Ma

Independent auditor's report

To the shareholders of Audientes A/S

Adverse Opinion

We have audited the consolidated financial statements and the parent financial statements of Audientes A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, due to the significance of the matters specified in the "Basis for adverse opinion" section, the consolidated financial statements and the parent financial statements do not present a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for adverse opinion

The consolidated financial statements and the parent financial statements are presented on the assumption that the Company is a going concern. As mentioned in Note 1, the Group's ability to continue as a going concern depends on the Group achieving its sales targets for 2024, renegotiating and extending existing credit facilities and raising sufficient additional liquidity to finance the continued operations of the Group.

The company's management has not been able to provide proper documentation for this, and therefore we express a reservation that the annual financial statements have been prepared on a going concern basis.

Note 2 to the consolidated financial statements and the parent financial statements refers to the uncertainty connected with recognising and measuring the Group's development projects, recognised at DKK 8,750 thousand.

The value of the development projects directly depends on the Group meeting the estimated sales targets and the additional financing requirements specified in Note 1. Otherwise, the recoverable amount will be significantly lower than the carrying amount.

Moreover, Note 2 to the consolidated financial statements and the parent financial statements also refers to the uncertainty connected with recognising and measuring the Group's and the Parent's inventories, recognised at DKK 3,429 thousand and DKK 1,217 thousand, respectively. The Group's ability to sell the remaining inventories depends on the additional financing requirements specified in Note 1 and, most importantly, on the existence of buyers for the hearing aids produced. Management does not assess that any impairment of the remaining inventories is indicated.

Note 2 to the consolidated financial statements and the parent financial statements refers to the uncertainty connected with recognising and measuring the Parent's receivable from the subsidiary Audientes India Pvt. Ltd., recognised at DKKK 2,195 thousand. The subsidiary's ability to pay the receivable directly depends on the Group meeting the estimated sales targets on the Indian market and the additional financing requirements specified in Note 1. Otherwise, the net realisable value will be significantly lower than the carrying amount.

As mentioned above, we consider it unlikely that the Group will meet the estimated sales targets and the additional financing requirements specified in Note 1, which will significantly affect the value of the individual types of assets as specified above:

We believe that, in the consolidated financial statements, the development projects will be negatively affected by an amount between DKK 0-8.8 million, that property, plant, and equipment will be negatively affected by an amount between DKK 0-0.4 million, and that inventories will be negatively affected by an amount between DKK 0-3.4 million. The total impact on the Group's assets is then DKK 0-12.6 million, which, equivalently, will negatively affect the results for the year before tax and equity.

We believe that, in the parent financial statements, the development projects will be negatively affected by an amount between DKK 0-8.8 million, that property, plant, and equipment will be negatively affected by an amount between DKK 0-0.4 million, that inventories will be negatively affected by an amount between DKK 0-1.2 million, and that the receivable from the subsidiary in India will be negatively affected by an amount between DKK 0-2.2 million. The total impact on the Parent's assets is then DKK 0-12.6 million, which, equivalently, will negatively affect the results for the year before tax and equity.

Consequently, we give a qualified opinion as to the measurement of the assets mentioned above.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

As evident from the matter described in the "Basis for Adverse conclusion" section of our report, our opinion on the financial statements is modified due to the fact that the consolidated financial statements and the parent financial statements have been presented as going concern to which we disagree in. Further, in our opinion, the management commentary should have reflected the significant uncertainties related to recognition and measurement as described in the "Basis for adverse opinion" section above. We have concluded that, for this reason, the management commentary is materially misstated as, in our opinion, the management commentary should have reflected these circumstances.

Copenhagen, March 27, 2024

Christensen Kjærulff
Company reg. no. 15 91 56 41

John Mikkelsen
State Authorised Public Accountant
mne26748

Consolidated financial statements and Parent Company financial statements

Income statement for 2023

		Group		Parent	
DKK´000	**Note:**	**2023**	**2022**	**2023**	**2022**
Revenue		1,266	79	126	5,857
Own work capitalized		1,350	2,377	1,350	2,377
Other operating income		1,395	856	1,395	856
Cost of goods sold		-1,133	-473	-260	-4,311
Other external costs		-4,760	-7,308	-4,241	-7,716
Gross profit/loss		**-1,882**	**-4,469**	**-1,630**	**-2,937**
Staff costs	3	-5,417	-9,589	-4,577	-8,511
Depreciation, amortization, and impairment losses	7, 9	-4,914	-9,759	-4,901	-9,756
Operating profit/loss		**-12,213**	**-23,817**	**-11,108**	**-21,204**
Share of profit/loss in subsidiaries	11	-	-	-1,129	-2,899
Other financial income	4	113	207	113	207
Other financial expenses	5	-1,971	-2,603	-1,947	-2,331
Profit/loss before tax		**-14,071**	**-26,213**	**-14,071**	**-26,227**
Tax on profit/loss for the year	6	666	1,851	666	1,865
Profit/loss for the year		**-13,405**	**-24,362**	**-13,405**	**-24,362**

Proposed distribution of profit and loss:					
Retained earnings				-13,405	-24,362
Proposed distribution of profit and loss				**-13,405**	**-24,362**

Balance sheet, assets as of December 31

		Group		Parent	
DKK´000	**Note**	**2023**	**2022**	**2023**	**2022**
Completed development projects	7, 8	8,573	9,825	8,573	9,825
Development projects in progress	7, 8	177	1,184	177	1,184
Intangible assets	7, 8	**8,750**	**11,009**	**8,750**	**11,009**
Other fixtures and fittings, tools and equipment	9	393	1,002	356	944
Tangible assets		**393**	**1,002**	**356**	**944**
Investments in group enterprises	11	-	-	-	-
Deposits	10	61	196	52	140
Financial assets		**61**	**196**	**52**	**140**
Non-current assets		**9,204**	**12,207**	**9,158**	**12,093**
Raw materials and consumables		873	941	873	941
Manufactured goods and goods for resale		2,556	3,706	344	420
Inventories		**3,429**	**4,647**	**1,217**	**1,361**
Receivables from sales		355	-	5	-
Receivables from group enterprises		-	-	2,195	3,170
Other receivables		166	621	66	517
Income tax receivable		666	1,865	666	1,865
Prepayments		140	313	140	312
Receivables		**1,327**	**2,799**	**3,072**	**5,864**
Cash and cash equivalents		**434**	**6,948**	**434**	**6,929**
Current assets		**5,190**	**14,394**	**4,723**	**14,154**
Assets		**14,394**	**26,601**	**13,881**	**26,247**

Balance sheet, equity and liabilities as of December 31

		Group		Parent	
DKK´000	**Note**	**2023**	**2022**	**2023**	**2022**
Contributed capital	12	5,939	2,875	5,939	2,875
Reserve for development expenditure		-	-	6,825	7,915
Reserve for exchange rate adjustments		114	92	114	92
Retained earnings		-2,033	10,082	-8,858	2,167
Equity		**4,020**	**13,049**	**4,020**	**13,049**
Warranties	13	63	65	-	-
Provisions		**63**	**65**	**0**	**0**
Bank loans		50	62	50	62
Other short-term loans		-	4,847	-	4,847
Convertible loans	14	4,676	-	4,676	-
Trade payables		2,329	4,752	2,249	4,672
Other payables	15	1,195	1,471	825	1,262
Deferred income		2,061	2,355	2,061	2,355
Current liabilities other than provisions		**10,311**	**13,487**	**9,861**	**13,198**
Liabilities other than provisions		**10,311**	**13,487**	**9,861**	**13,198**
Equity and liabilities		**14,394**	**26,601**	**13,881**	**26,247**
Contingent liabilities	17				

Statement of changes in equity as of December 31

Group 2023

DKK´000	Contributed capital	Reserve for exchange rate adjustments	Retained earnings	Total
Equity beginning of year 2023	2,875	92	10,082	13,049
Capital increase	3,064	-	1,825	4,889
Expenses related to capital increase	-	-	-535	-535
Exchange rate adjustments	-	22	-	22
Profit/loss for the year	-	-	-13,405	-13,405
Equity end of year 2023	**5,939**	**114**	**-2,033**	**4,020**

Parent 2023

DKK´000	Contributed capital	Reserve for development expenditure	Reserve for exchange rate adjustments	Retained earnings	Total
Equity beginning of year 2023	2,875	7,915	92	2,167	13,049
Capital increase	3,064	-	-	1,825	4,889
Expenses related to capital increase	-	-	-	-535	-535
Exchange rate adjustments	-	-	22	-	22
Transfer to/from reserves	-	-1,090	-	1,090	-
Profit/loss for the year	-	-	-	-13,405	-13,405
Equity end of year 2023	**5,939**	**6,825**	**114**	**-8,858**	**4,020**

Group 2022

DKK´000	Contributed capital	Reserve for exchange rate adjustments	Retained earnings	Total
Equity beginning of year 2022	935	13	24,536	25,484
Capital increase	1,940	-	12,608	14,548
Expenses related to capital increase	-	-	-2,700	-2,700
Exchange rate adjustments	-	79	-	79
Profit/loss for the year	-	-	-24,362	-24,362
Equity end of year 2022	**2,875**	**92**	**10,082**	**13,049**

Parent 2022

DKK´000	Contributed capital	Reserve for development expenditure	Reserve for exchange rate adjustments	Retained earnings	Total
Equity beginning of year 2022	935	10,264	13	14,272	25,484
Capital increase	1,940	-	-	12,608	14,548
Expenses related to capital increase	-	-	-	-2,700	-2,700
Exchange rate adjustments	-	-	79	-	79
Transfer to/from reserves	-	-2,349	-	2,349	-
Profit/loss for the year	-	-	-	-24,362	-24,362
Equity end of year 2022	**2,875**	**7,915**	**92**	**2,167**	**13,049**

Cash flow statement

DKK´000	Note	2023	2022
Operating profit/loss		-12,213	-23,817
Amortization, depreciation, and impairment losses		4,914	9,759
Other adjustments for non-liquidity items		378	126
Working capital changes	16	-1,857	-159
Cash flow from ordinary operating activities		**-8,778**	**-14,091**
Financial income received		113	207
Financial expenses paid		-1,971	-2,603
Taxes refunded/paid		1,865	1,843
Cash flow from operating activities		**-8,771**	**-14,644**
Acquisition etc. of intangible assets		-2,054	-5,592
Acquisition etc. of other fixtures and fittings, tools and equipment		-	-43
Sale etc. of property, plant and equipment		6	-
Changes in other financial assets		135	-45
Cash flow from investing activities		**-1,913**	**-5,680**
Free cash flows generated from operations and investments before financing activities		**-10,684**	**-20,324**
Cash increase of capital		2,789	11,865
Short-term loan, taken/paid, net		-183	4,884
Cash from bridge-loans, converted to equity afterwards		2,099	2,144
Transaction costs and advisory costs		-535	-2,175
Cash flow from financing activities		**4,170**	**16,718**
Increase/decrease in cash and cash equivalents		**-6,514**	**-3,606**
Cash and cash equivalents beginning of year		6,948	10,554
Cash and cash equivalents end of year		**434**	**6,948**
Cash and cash equivalents at year-end are composed of:			
Cash and cash equivalents		434	6,948
Cash and cash equivalents end of year		**434**	**6,948**

Notes

1: Going concern

The Company's execution of its business activities in 2024 is fully depending on further capital injection and refinancing or prolonging of existing convertible loans as well as successful execution of the sales budgets for the year.

Should Audientes not be able to secure timely further funding, it could have consequences for the Company, including its ability to grow it business further and, ultimately, continue operating.

Audientes has during 2023 achieved funding of net DKK 4.4 million, latest completed a directed issue of new shares via a cash capital increase combined with a conversion of some debt, for a total of DKK 1 million including a grant of 3,159,048 warrants to be exercised before March, 28, 2024, which it is unlikely they will be.

Securing additional growth capital represents a paramount imperative for the Company, aimed at satisfying the essential financial requirements for Audientes' basic operations, market development, new product development initiatives and the requisite medical device approvals, among other essential undertakings. Consequently, in accordance with our repeated references throughout last year, we persistently assess an array of diverse alternatives for procuring the necessary financing within the near-to-intermediate timeframe, while also working towards a sustainable business operation for the longer term.

According to the operative budget for 2024, the need for additional funding until December 2024 amounts to approximately DKK 11-12 million. Furthermore, there is a need for prolonging, conversion or refinancing the current convertible loans of DKK 3.7 million as of March 27, 2024, due for payment end of September 2024.

The budget for 2024 is based on successful sales of both Ven hearing aid in India and Nepal plus the Companion consumer electronics product in especially China and Japan. The revenue from sale of products for 2024 is budgeted to almost DKK 8 million. Based on the execution plan 2024, the inventory of DKK 3.4 million will be consumed.

Reintroducing the updated product Ven 2.0 after the non-successful commercial performance by Earkart in 2023 and at the same time entering both China and Japan markets with new distributors include a natural but significant commercial and financial uncertainty. The Management are fully aware of this, and the Management will execute an approach based on optimizing the cash flow including cost savings initiatives.

The current capitalization plan for 2024 include a convertible bridge loan in Q1 2024 on terms similar to previous loans obtained by the Company combined with the warrants issued in October 2023, which may be exercised in March 2024, leading up to a rights issue aimed at existing shareholders in April/May 2024 timeframe. This rights issue may be complemented by a further directed issue of shares and/or another rights issue later in the year. Audientes aim to secure at least DKK 11 million in financing of its operations in 2024, in sensible steps depending on its share price and need for additional capital.

In addition, remaining convertible loans (originally secured in 2022) amounts to DKK 3.7 million as of March 27, 2024, with no interests and no instalments due until the loans are maturing by the end of September 2024. The lenders may elect to convert the loans partly or wholly to shares at market price at certain points during this year, coinciding with the release of Audientes' quarterly and annual reports or with the issue of new shares.

As a worst-case scenario, Audientes have prepared a budget for 2024 with no cash-in given sales achieved in 2024, however combined with execution of cost saving initiatives etc. In this scenario, the need for additional funding until December 2024 amounts to approximately DKK 8 million excluding the need for prolonging, conversion or refinancing of the current convertible loans of DKK 3.7 million.

As said, the Management fully acknowledge the commercial uncertainties around reintroducing Ven 2.0 on the Indian market and entering the Chinese and Japanese market including the collaboration with new distributors etc. as well as the significant uncertainty related to achieving sufficient and timely funding on relevant conditions in a somehow low-activity funding environment. However, despite the uncertainties, the Management feel confident that the needed funding of DKK 10-11 million and prolonging, conversion or refinancing of current convertible loans of DKK 3.7 million as well as successful execution of the sales targets can be achieved – and based on this, the Management has prepared the Annual Report for 2023 as going concern.

2: Uncertainties and estimates

The preparation of Audientes financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures. Significant uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of assets or liabilities affected in future periods.

Management continuously reassesses these estimates and judgements based on several factors in the given circumstances.

Valuation of development projects

Development projects (Group and Parent) consist of completed development projects, that are amortized over 4 years. Completed development projects are assessed for impairment whenever there is an indication that the development asset may be impaired. The amortization period for completed development projects are reviewed on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement as amortization.

The carrying value of intangible assets, DKK 8.8 million are based on Management's expectations to future cash flow and other assumptions described in note 8. These assumptions are by nature subject to significant uncertainty taken the Company's going concern risk and the dependence of Audientes receiving the necessary funding to continue the planned activities into consideration.

Valuation of inventory

Inventories consist mainly of completed units, which are assessed for impairment by comparing cost prices (cost of raw materials, consumables and direct labor costs) to net realization values.

The estimated net realization values are based on Management estimates and assumptions over future sales volume and prices and are by nature subject to uncertainty. In relation to 2023, Management has assessed that inventory with a carrying value of DKK 3.4 million is not subject to any write-down. However, there is an inherent significant uncertainty related to the valuation of products still unsold as of March 2024, which amounts to around DKK 3.4 million, as the net realization values of these items may also depend on Audientes receiving the necessary funding to continue the planned activities.

Valuation of receivable from group enterprises

The parent company has a receivable of DKK 2.2 million from its Indian subsidiary. Management has assessed that no write- down of this receivable is necessary.

The ability of the subsidiary to repay its debt, relates to achieving sales in the Indian subsidiary. It is the Management's assessment that after having ended the exclusive distribution collaboration with the former distributor Earkart, and consequently taking back the full responsibility for the distribution of Audientes' products in India giving Audientes renewed control of the focus and effort put into marketing and sales of our current and future products, will secure the necessary cash flow in Audientes India Pvt. Ltd. for the subsidiary's debt to the parent company to be repaid.

Audientes will still be open to partner with organizations going forward provided the collaboration make commercial sense. However, as stated in note 1 Management acknowledge the commercial uncertainties around the new and updated product to be sold on the Indian market. There is therefore a significant risk related to the underlying assumptions regarding the future sales and the corresponding ability of Audientes India Pvt. Ltd. to realize profit and sufficient positive cash flow to repay the debt.

Valuation of income tax receivable

A tax receivable of DKK 0.7 million relating to the expected refund of tax credit under the Danish Tax Credit Scheme has been recognized. Based on an evaluation of the criteria for using the scheme, it is Management's assessment that Audientes qualifies for using the scheme. The recognition of the receivable is based on this assessment.

Whether the criteria are met, is subject to an estimate, with an underlying risk and uncertainty. The Danish Tax Authorities may have another opinion, and, in this case, there could be a risk that the Company will not receive the tax receivable recognized.

It is Management's assessment that Audientes also qualifies for using the scheme in prior years, thus no provision for already received tax credit has been included in this respect. The potential risk of repayment is maximized to approx. DKK 4.2 million excluding interest.

Valuation of tangible assets

As stated in note 1, Management feels confident that the needed funding and refinancing or prolonging of the current convertible loans can be achieved. However, should Management against expectations not be able to secure funding to continue Audientes production of Ven and Companion, the value of the company's production equipment will be very limited. Booked value of tangible assets amount to DKK 0.4 million as of 31 December 2023.

Notes

3: Staff costs

DKK´000	Group 2023	Group 2022	Parent 2023	Parent 2022
Wages and salaries	4,894	8,661	4,054	7,583
Pension costs	357	693	357	693
Other social security costs	89	76	89	76
Other staff costs	77	159	77	159
	5,417	**9,589**	**4,577**	**8,511**
Average number of full-time employees	11	16	6	10

Audientes has an incentive program consisting of warrants awarded to members of the Board of Directors and the Management as well as to employees of the Company. Reference is made to page 15 “Warrants”.

4: Other financial income

DKK´000	Group 2023	Group 2022	Parent 2023	Parent 2022
Exchange rate adjustments	113	207	113	207
	113	**207**	**113**	**207**

5: Other financial expenses

DKK´000	Group 2023	Group 2022	Parent 2023	Parent 2022
Interest expenses	1,024	1,210	1,024	1,210
Fees related to loans taken	265	751	265	751
Exchange rate adjustments	269	451	245	179
Other	413	191	413	191
	1,971	**2,603**	**1,947**	**2,331**

6: Tax on profit/loss for the year

DKK´000	Group 2023	Group 2022	Parent 2023	Parent 2022
Tax credit for the year, income	666	1,865	666	1,865
Tax for the year	-	-14	-	-
	666	**1,851**	**666**	**1,865**

Income tax for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act.

In 2023, TDKK 1,865 (2022: TDKK 1,843) was received in Prepaid Tax Credit related to previous year.

7: Intangible assets

Group / Parent

DKK´000	Completed development projects 2023	Completed development projects 2022	Development projects in progress 2023	Development projects in progress 2022
Cost beginning of year	12,880	15,470	1,184	-
Transfers	3,061	-	-3,061	-
Additions	-	4,408	2,054	1,184
Disposals/scrapped	-	-6,998	-	-
Cost end of year	**15,941**	**12,880**	**177**	**1,184**
Amortization and impairments beginning of year	-3,055	-898	-	-
Amortization and impairments for the year	-4,313	-9,155	-	-
Amortizations and impairments on projects disposed/scrapped	-	6,998	-	-
Amortization and impairment losses end of year	**-7,368**	**-3,055**	**0**	**0**
Carrying amount end of year	**8,573**	**9,825**	**177**	**1,184**

Notes

8: Development projects

Audientes A/S has developed a platform of software and hardware technology that together creates an innovative hearing aid solution that can help millions of people around the world with hearing loss.

Based on the impairment test which have been carried out for the assets related to Audientes' products VEN and Companion, the Management has accessed that this implies that the recoverable amounts for Development projects exceeds carrying value on December 31, 2023.

The development projects include the development of Audientes platform for hearing aids and advanced hearables, consisting of Smartphone app client and backend software, as well as embedded software and hardware elements for products. The development projects essentially consist of direct salaries and fees to technical consultants.

Reference is made to the Management Report (CEO Letter).

9: Other fixtures and fittings, tools and equipment

DKK´000	Group		Parent	
	Other fixtures and fittings, tools and equipment		Other fixtures and fittings, tools and equipment	
	2023	2022	2023	2022
Cost beginning of year	1,864	1,803	1,803	1,803
Adjustment	-	18	-	-
Additions	-	43	-	-
Disposals	-8	-	-	-
Cost end of year	**1,856**	**1,864**	**1,803**	**1,803**
Depreciation and impairment losses beginning of year	-862	-258	-859	-258
Depreciation for the year	-601	-604	-588	-601
Depreciation and impairment losses end of year	**-1,463**	**-862**	**-1,447**	**-859**
Carrying amount end of year	**393**	**1,002**	**356**	**944**

10: Deposits

DKK´000	Group 2023	Group 2022	Parent 2023	Parent 2022
Deposits beginning of year	196	151	140	151
Additions	-	91	-	35
Disposals	-135	-46	-88	-46
Deposits end of year	**61**	**196**	**52**	**140**

11: Investments in group enterprises

DKK´000	Parent 2023	Parent 2022
Cost beginning of year	429	429
Additions in year	324	-
Cost end of year	**753**	**429**
Impairment losses beginning of year	-3,132	-312
Exchange rate adjustments in the year	22	79
Profit/loss in the year	-1,129	-2,899
Impairment losses end of year	**-4,239**	**-3,132**
Carrying amount end of year	**-3,486**	**-2,703**
Compensated in "Receivables from Group enterprises"	3,486	2,703
Investments in Group enterprises end of year	**0**	**0**

Investments in subsidiaries:	**Ownership Share in %**
Audientes India Pvt. Ltd	100%

Notes

12: Contributed capital

Share capital:	Parent Nominal value DKK
Share Capital, 15.07.2014	222,222
Addition, 16.09.2015	63,200
Addition, 11.05.2016	4,262
Addition, 11.05.2016 (debt conversion)	26,369
Addition, 16.05.2017	35,819
Addition, 27.08.2018	16,858
Addition, 03.08.2020	25,030
Addition, 19.08.2020	38,276
Addition, 19.08.2020 (debt conversion)	2,865
Addition, 17.09.2020	500,000
Share capital end of 2021	**934,901**
Addition, 20.12.2022	1,583,959
Addition, 20.12.2022 (debt conversion)	285,843
Addition, 21.12.2022 (debt conversion)	69,999
Share capital end of 2022	**2,874,702**
Addition, 17.04.2023	684,093
Addition, 22.06.2023	356,252
Addition, 30.09.2023 (debt conversion)	390,037
Addition, 16.10.2023	476,866
Addition, 16.10.2023 (debt conversion)	52,626
Addition, 27.11.2023 (debt conversion)	1,103,855
Share capital end of 2023	**5,938,432**

On February 29, 2024, a debt conversion of DKK 1 million was executed and the share capital amounts hereafter to DKK 6,938,432.

13: Warranties

Group / parent
Warranty provisions concern products sold to external customers. The warranty provision covers any defects in design, materials and workmanship for a period of 2 years from delivery.

14: Convertible loans

Convertible loans of TDKK 4,676 as of December 31, 2023, relate to loan from the previous bridge lenders Selandia Alpha Invest A/S, Renewable Ventures Nordic AB and Mr. Gerhard Dal of TDKK 2,338, TDKK 1,169 and TDKK 1,169 respectively.

The loans are maturing by the end of September 2024 with no interest and no installments due until then. Loan givers may elect to convert the loan partly or wholly. The lenders can convert the loan partly or wholly to equity in conjunction with:

- the publishing of Audientes' quarterly and annual reports. The conversion rate will be calculated using the Volume-Weighted Average Price method (VWAP) over 10 trading days starting from the day following publication;
- with emissions of shares (directed and rights issues) to others with a market value of at least TDKK 500, whether with or without pre-emptive for the Company's shareholders. In this situation, conversion will be made at the same price as the issue.

A further part of the convertible loans of DKK 1 million was converted February 29, 2024, and the convertible loans hereafter amounts to TDKK 3,676.

15: Other payables

	Group		Parent	
DKK´000	**2023**	**2022**	**2023**	**2022**
Wages and salaries, personal income taxes, social security costs etc.	1,046	1,172	676	963
Holiday pay obligation	149	299	149	299
	1,195	**1,471**	**825**	**1,262**

16: Changes in working capital

	Group	
DKK´000	**2023**	**2022**
Increase/decrease in Inventories	1,218	-3,281
Increase/decrease in Receivables	-82	489
Increase/decrease in Trade payables, other payables etc.	-2,993	2,633
	-1,857	**-159**

17: Contingent liabilities

	Group	
DKK ´000	**2023**	**2022**
Liabilities under rental or lease agreements until maturity in total	53	301
Liabilities - purchase of products from supplier	1,050	-
	1,103	**301**

Accounting policies

Reporting class

This Annual Report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

Changes in accounting practices

Fees related to Stock Exchanges are in the Income Statement for 2023 classified as “Other external costs”, however previous as “Financial costs”, while financial charges in 2023 are classified as “Financial costs”, however previous as “Other external costs”. The net impact amounts in each of the year from 2019 to 2022 to DKK 0.1 million or lower as higher “Other external costs”. Comparative figures for previous years are adjusted. In the Cash flow statement for 2023, “Own work capitalized” are presented as “Cash flow from investing activities”, while previous as “Cash flow from operating activities”. “Own work capitalized” amounts in 2023 to DKK 1.4 million compared to DKK 2.4 million in 2022. Comparative figures for previous years are adjusted.

Apart from the above-mentioned areas, the annual report has been prepared according to the same accounting practices as last year.

Consolidated financial statements

The consolidated financial statements are in 2023 presented in DKK and all values are rounded to the nearest thousand (DKK´000) except when otherwise indicated.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Group, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Consolidation principles

The Consolidated Financial Statements comprise the Parent Company, Audientes A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends, and accounts, as well as of realized and unrealized profits and losses on transactions between the consolidated enterprises.

The Parent Company´s investments in the consolidated subsidiaries are set off against the Parent Company´s share of the net asset value of subsidiaries stated at the time of consolidation.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables, and other monetary items dominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date is recognized in the income statement as financial income of financial expenses.

Exchange differences arising from the translation of foreign subsidiaries´ equity at the beginning of the year to the balance sheet date and the translation of income statements from average rates to the exchange rate at the balance sheet date are recognized directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries that are considered part of the total investments in the subsidiary in question are classified directly in equity.

Income statement

Revenue

Revenue from sale of products is recognized net of VAT, duties, and sales discounts and is measured at fair value of the consideration fixed. Revenue is recognized in the income statement when the customer obtains control of the goods.

Own work capitalized

Own work capitalized comprise fees that be directly or indirectly attributed to the development projects.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write downs.

Other external expenses

Other external expenses include expenses relating to the Group´s ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write downs of receivables recognized in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortization, and impairment losses

Depreciation, amortization, and impairment losses relating to property, plant, equipment and development projects comprise depreciation, amortization and impairment losses for the financial year, and gains and losses from the sale of property, plant, equipment and development projects. Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises net capital or exchange gains on securities, payables and transactions in foreign currencies, amortization of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortization of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which for the Parent Company consists of tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act and for the subsidiaries tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc. comprise development projects in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilization, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred. When recognizing development projects as intangible assets in the Parent Company, an amount equaling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortized and written down.

The cost of development projects comprises costs such as salaries and amortization that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortization of intangible assets and depreciation of property, plant and equipment used in the development process are recognized in cost based on time spent on each project.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount. Intellectual property rights are amortized over 4 years.

Property, plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

- Other fixtures and fittings, tools and equipment: 3 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognized and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, and direct labor costs.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Tax payable or receivable

Current tax payable or receivable is recognized in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash and cash equivalents

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Equity

The reserve for exchange currency translation comprises foreign exchange differences arising from translation of financial statements of foreign enterprises from their functional currencies to the presentation currency of the Group.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing, and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/ loss adjusted for non-cash operating items, working capital changes and taxes received or paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement, and sale, etc. of intangible assets and property, plant, and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.

AUDIENTES A/S

Teknikerbyen 5
2830 Virum Denmark

CVR No.: 36 04 76 31
Tel: +45 77 34 16 80

contact@audientes.com
www.audientes.com

FOUNDED

August 2014

AUDITOR

Christensen Kjærulff
Statsautoriseret revisionsaktieselskab
CVR No.: 15915641

Steen Thygesen

Navnet returneret af dansk MitID var:
Steen Thygesen
Direktør
ID: 8eba33e7-a0f7-4e12-afe4-c2528090ae18
Tidspunkt for underskrift: 06-05-2024 kl.: 12:11:42
Underskrevet med MitID

Hossein Sandfeld Jelveh
Bestyrelsesformand
IP-adresse: 2.106.107.6:50962
Tidspunkt for underskrift: 06-05-2024 kl.: 12:22:14
Underskrevet med esignatur EasySign

Wendi Ma
Bestyrelsesmedlem
IP-adresse: 94.191.153.32:38932
Tidspunkt for underskrift: 06-05-2024 kl.: 12:41:30
Underskrevet med esignatur EasySign

Hiroshi Maeda
Bestyrelsesmedlem
IP-adresse: 210.253.198.134:53613
Tidspunkt for underskrift: 06-05-2024 kl.: 12:38:58
Underskrevet med esignatur EasySign

Steen Thygesen

Navnet returneret af dansk MitID var:
Steen Thygesen
Bestyrelsesmedlem
ID: 8eba33e7-a0f7-4e12-afe4-c2528090ae18
Tidspunkt for underskrift: 06-05-2024 kl.: 12:13:43
Underskrevet med MitID

John Mikkelsen

Navnet returneret af dansk MitID var:
John Mikkelsen
Revisor
På vegne af Christensen Kjærulff, Statsautoriseret Revision...
ID: 2ec69a04-c717-4c43-85a9-7461b51426aa
Tidspunkt for underskrift: 06-05-2024 kl.: 16:06:41
Underskrevet med MitID

Hossein Sandfeld Jelveh
Dirigent
IP-adresse: 2.106.107.6:31337
Tidspunkt for underskrift: 07-05-2024 kl.: 08:36:54
Underskrevet med esignatur EasySign