



**Invitation to subscribe for shares
in Audientes A/S**

**Rights Issue
May 16, 2024**

INNOVATOR IN PERSONALIZED HEARING SOLUTIONS

Definitions

Throughout this Memorandum the following definitions apply, unless otherwise expressly stated. The "Company" or "Audientes" refers to Audientes A/S with corporate registration number 36047631 and "Villand Capital" refers to Villand Capital ApS with corporate registration number 39076624. The "Offer" refers the issue of shares as referred to in the Memorandum issued on May 16 by the Board of Directors in Audientes.

Introduction

Audientes A/S is a Danish technology company specializing in designing, engineering, and offering quality hearing aids and advanced hearables. Audientes is a pioneer in self-fitting hearing health solutions with the mission to make high-quality hearing aids for hearing improvement and hearables for hearing enhancement affordable and accessible to everyone who needs them globally.

Audientes has two main parts to its business:

- **Product sales:** Audientes' product portfolio consist of the self-fitting hearing aid Ven™ by Audientes and Companion by Audientes, an advanced hearable. Target users are those who cannot afford expensive quality hearing aids or does not have access to a quality hearing aid due to a low number of hearing clinics and audiologists per capita, and long distances between clinics.
- **Software Platform licensing:** Audientes licenses its software platform for OEMs and brands, available on license basis, enabling them to create and bring to market high-quality hearing solutions rapidly and efficiently.

Audientes is listed on Spotlight Stock Market Denmark (AUDNTS) and headquartered in Copenhagen, Denmark with a fully owned subsidiary in Hyderabad, India, and a majority-owned subsidiary in Tokyo, Japan.

For additional information please refer to Audientes websites.
www.audientes.com, www.audientes.eu, or www.audientes.in.

Worldwide growth in hearing loss leads to an underserved need

The global hearing solutions market is witnessing steady growth, driven by technological advancement, and increasing awareness. The need is significant as half a billion people today is suffering from disabling hearing loss, according to the WHO in its [Report on World Hearing](#) (2021). The WHO further assesses in its World Report on Hearing that the number of people suffering from disabling hearing loss and who will be without a solution to their hearing loss will amount to 711 million by 2050.

According to Audientes this is the case because of:

- Lack of audiologists/hearing experts in developing markets
- High purchase price of classic, quality hearing aids
- High usage price (the price of single-use batteries)
- Expensive process with many specialist sessions for fitting and fine-tuning the hearing aids
- Some less costly products can damage hearing and therefore are not a good remedy
- Stigmatization of people with hearing impairment

Today, only around 20-22 million hearing aids are annually sold globally by the world's largest [manufacturers](#), primarily in high-income countries, which means the existing industry and its players does not meet the global need anytime soon. As a consequence, there is a widening gap between those who needs a quality hearing solution but is without one, and those who have a solution for their hearing impairment.

There is a clear and urgent need to rapidly step-up efforts to address global hearing health by investing in and expanding access to ear and hearing care services. Audientes aims to address this global challenge by making high-quality hearing care solutions available and accessible to people around the world suffering from hearing health issues. Focus is particular on those who do not have access to a quality hearing aid due to a low number of audiologists per capita, a long distance to closest hearing clinic, or high costs of classic hearing aids.

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THE OFFER IN BRIEF

Background and rationale for this Memorandum

Audientes is carrying out a Rights Issue (“the Offer”) of shares to finance operational advancements for scaling its sales of already developed and manufactured products and to undertake new product development and manufacturing.

The Rights Issue will initially provide Audientes with approx. DKK 4.9 million (if fully subscribed) before issue costs of approx. DKK 0,8 million. Provided that the Rights Issue is fully subscribed, the Board assesses that there is sufficient capital in the Company to run the business in accordance with the overall business and capitalization plan, focusing on expanding operations geographically in Japan and China, increasing sales and marketing in India, and commencing the development of a new product (RIC hearing aid) with our Chinese partner Hengtong in the contemplated joint venture company.

Audientes also need to repay a bridge loan amounting of approx. DKK 3.7 million (unless the loan is fully or partly converted into shares) by 30 September.

Summary of the Offer

On 14 May 2024, the Board of Directors resolved, with authorization in the articles of association, adopted by the extraordinary general meeting held on 29 April 2024, to carry out the Rights Issue and to increase the share capital with maximum nominal DKK 1,387,686.

The Company’s nominal share capital will increase by a maximum of DKK 1,387,686 and a maximum of 138,768,644 new shares, each with a nominal value of DKK 0.01.

The Rights Issue is conducted with pre-emptive share rights (“Subscription Rights”) for existing shareholders.

The net proceeds from the Rights Issue amount to a maximum of approx. DKK 4.1 million assuming that the Rights Issue is fully subscribed.

Subscription price

The New Shares are offered at the subscription price of DKK 0.035 per new share (excluding fees, if any, from the investor's own custodian bank or brokers).

The amount of any expenses and taxes the investor can be charged shall be governed by and constructed in accordance with applicable law of Denmark, including any double taxation agreements.

Subscription period

The subscription period of the Rights Issue will commence on 22 May 2024 at 9:00 a.m. CEST (Central European Summer Time = local Danish time) and will close on 4 June 2024 at 5:00 p.m. CEST (the “Subscription Period”)

Pre-subscription- and guarantee commitments

Approx. 26 percent of the Rights Issue, corresponding to approx. DKK 1.3 million, is covered by pre-subscription commitments.

Costs for the Right Issue

The costs connected to the initial part of the Rights Issue amount to approx. DKK 0,8 million, or approx. 16 percent of the proceeds from the Rights Issue.

Valuation

Audientes’ pre-money valuation (in the current offer) amounts to approx. DKK 2,428,451.

Dilution

As at the Memorandum Date, the Company's registered share capital had a nominal value of DKK 693,843.22 divided into 69,384,322 Existing Shares with a nominal value of DKK 0.01. All Existing Shares are issued and fully paid up, and each Existing Share represents 1 vote. Upon issue of the New Shares, the percentage of ownership of the Existing Shareholders may be reduced. If the Existing Shareholders refrain from exercising Subscription Rights allocated to them in connection with the Offering, each Existing Shareholder's ownership will be diluted by approx. 67 percent. If the Existing Shareholders elect to partly exercise the Subscription Rights allocated to them, the rate of dilution will be between 0 to 67 percent depending on the exercise. If the Existing Shareholders exercise their Subscription Rights in full, they will not be diluted.

IMPORTANT INFORMATION ABOUT THE MEMORANDUM

Preparation of this Memorandum

This Memorandum has been produced by the management of Audientes A/S and Villand Capital ApS has assisted the Company in the compilation of this Memorandum. The Board of Directors are responsible for the content of the Memorandum. Villand Capital is in no way responsible for the content of this Memorandum. Villand Capital is not responsible for any future investments in the Company.

Purpose of this Memorandum

The purpose of the Memorandum is to assist in the valuation of a potential investment in the Company. The recipient of this Memorandum is encouraged to use it exclusively for this purpose.

Area of distribution

This Memorandum is aimed at investors who do not need further memorandums or other arrangements as per Danish law. This Memorandum may not be disseminated in Australia, Japan, Canada, New Zealand, USA, South Africa, Hong Kong, South Korea, Switzerland, Singapore, Russia and Belarus or any other country where further requirements must be met. In regard to this Memorandum, Danish law applies, and any dispute shall be settled in a Danish Court. The Recipient of this Memorandum is encouraged to perform his, or her, own due diligence of the Company. This should also include consultation with professional advisors about the legal, financial, tax and other potential consequences that may arise through an investment in the Company.

Legal regulations

The new shares are issued according to the Danish Companies Act (no. 1451 of 09/11 2022) and the Company's articles of associations as at the date of this Announcement. As the Company's shares are listed on a Swedish MTF (Multilateral Trading Facility) the Company is subject to Swedish law concerning aspects directly related to Spotlight Stock Market listing agreement. Audientes is subject to general Danish legislation, including Regulation (EU) 2017/1129 and the Danish Act on Capital Markets (no. 41 of 13/01/2023). As listed, Audientes is bound to the regulations of the Spotlight Stock Market and subject to the European parliament and the Council Regulation (EU) No 596/2014 on Market Abuse Regulation (MAR), which contains regulation on information obligations and a prohibition on market abuse. This Memorandum has not been approved by the Swedish nor the Danish FSA (Financial Supervisory Authority).

Forward-looking statements

Statements in this Memorandum concerning the future, or future events in all regards, reflects the Board of Directors' current view of the future. The Recipient should realize that these projections are based on the facts as they were at the time of the writing of this Memorandum. These projections are based on the best available information but are as always associated with a level of uncertainty.

Tax regulations

An investment in Audientes may have tax consequences for the investor. Audientes is a Danish registered company with tax liability in Denmark. The Company's shares are traded on Spotlight Stock Market and the Company's shares are therefore covered by Swedish tax regulations for listed shares. Shareholders may have to consult their own tax advisor for an assessment of tax consequences prior of investing in the Company.

The Board of Directors assures

The Board of Directors hereby assures that all reasonable precautions have been taken, as far as the Board of Directors are aware, to ensure that all the information in the Memorandum complies with the facts and that no relevant information has been left out. Furthermore, the Board of Directors assures that all information from external sources has been reproduced in a correct manner.

May 16, 2024
Audientes A/S

INVITATION TO INVEST IN AUDIENTES A/S

Background

Audientes is positioned to capitalize on a significant growth opportunity in the hearing health sector, particularly within expanding middle-income markets such as India and China, where the demand for affordable hearing solutions remains largely unmet. As projected by the [WHO](#), the number of individuals with disabling hearing loss is expected to reach 630 million by 2030 and 900 million by 2050, driven by demographic shifts and environmental factors. Unlike traditional vendors that target high-income markets with premium products, Audientes has broadened its market reach by offering competitively priced, high-quality hearing aids since mid-2022.

Additionally, the Company has during the last year introduced the Companion by Audientes product aiming at addressing the needs of ageing populations in developed nations, including Japan, the USA, and the EU. This strategic expansion into the consumer electronics segment positions Audientes uniquely in the market, enhancing its portfolio and reinforcing its commitment to accessible hearing health solutions available across a broad variety of sales channels.

Audientes recently diversified its business model in early 2024 by launching a software platform for licensing to OEMs and other brands. This initiative allows third parties to develop and sell innovative products, further extending Audientes' market influence and leveraging its software assets developed since its IPO.

Investment highlights

- Innovative product line available in key markets with potential for significant growth.
- Completed development of initial products, de-risked company technically.
- Strategic pivot to include software licensing for hearing health and audio products, opening new revenue channels and partnership opportunities.
- New "Behind-the-Ear" hearing aid product (RIC-style) to be introduced in 2025 market in India and China.
- Opportunity to secure a strong value chain position in the growing hearing health industry for affordable self-fitting hearing aids and hearables.

Potential Risks

- Market competition and technological advancements.
- Dependence on market acceptance of new products and software licensing initiatives.
- Regulatory changes impacting the industry.
- Liquidity risk due to not being able to raise sufficient capital.
- Payments from customers for services rendered and products delivered.
- Retention of key staff and collaboration with critical partners

Please refer to the section "Risk Factors and Management" for detailed description of these and other risks.

Timeline

- Record date for participation in the Rights Issue: 21 May 2024.
- Last day of trading in shares including the right to receive subscription rights: 16 May 2024.
- First day of trading in shares excluding the right to receive subscription rights: 17 May 2024.
- Trading in subscription rights: 17 May 2024 – 31 May 2024 (the last day of trading in subscription rights will be announced through a separate press release).
- Subscription period: 22 May 2024 – 4 June 2024
- Publication of the final outcome of the Rights Issue: around 10 June 2024

Contact information

For further information about the Offer and Audientes A/S, please contact:

Bjørn Wennerlund, Villand Capital
Phone: +45 60 13 77 86 or +46 730 - 93 96 30
Email: info@villandcapital.com

Steen Thygesen, CEO, Audientes A/S
Phone: +45 53 17 26 10
Email: st@audientes.com

ABOUT AUDIENTES A/S

Accessible and innovative hearing technologies

Audientes A/S is a Danish hearing health company specializing in smart, self-fitting and affordable hearing aids and advanced hearables.

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' 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.

General company information

The Company's address and the registered office of the Board of Directors is Teknikerbyen 5, 2830 Virum, Denmark. Company representatives may be reached at telephone +45 77 34 16 80, and by e-mail at investors@audientes.com. The Company's visiting address is Teknikerbyen 5, 2830 Virum, Denmark, and the website is www.audientes.com. It is to be noted that the information on the Company's website does not form part of the Memorandum unless the information is incorporated in the Memorandum by reference.

Organization

Audientes internal structure consists of The Board of Directors at the top, followed by the CEO Steen Thygesen. Audientes has a leading executive management team consisting of CEO and CTO (Hossein Jelveh). Additionally, Audientes have a team of 6 persons in various roles in Denmark, Japan and India, of which some are engaged on a consultancy basis to optimise and have flexibility in staff expenditures: CMO, Country Head India, Country Head Japan, Supply Chain Manager, Customer Support Manager, and Operations Manager Japan.

The Company's operating activities are conducted mainly from Copenhagen, Denmark, while the Company's sales in India and in Japan are conducted by the local subsidiaries. As of the date of this Memorandum, Audientes A/S only has holdings in Audientes India Pvt Ltd. and in Audientes Co. Ltd. in Japan and no other companies.

Company milestones to date

The Company was established on 15 July 2014 as a private limited company. At a general meeting on 5 August 2020, the Company was transformed into a public limited company. In September 2020 the Company IPO'ed at Nasdaq First North Growth Market in Denmark. In June 2021, Audientes established the fully owned subsidiary Audientes India Pvt. Ltd. located in Hyderabad, India. In September 2022 the company changed listing venue to Spotlight Stock Market Denmark. In February 2024, Audientes established the subsidiary Audientes Co. Ltd. in Japan, in which it has a 60% stake, with the remainder owned by the local management.

Business Status and Progress in 2023-2024

In 2023, Audientes navigated a challenging situation where sales grew but did not yet meet expectations. Despite this, the year was pivotal, laying a solid foundation for expansion into new markets in 2024, beyond its existing presence in India.

To address the sales performance in the Indian market, decisive steps were taken in early 2024 by regaining control of distribution processes aimed at revitalizing our market penetration and sales trajectory. There is also focus on continuing the expansion into neighbouring countries like Nepal and others in the region.

Audientes made notable progress during 2023 with the launch of the advanced hearable, Companion by Audientes, available in Europe through a couple of e-commerce sites. Further, the Companion product has been localized and received regulatory approval for the new markets of Japan and China, signalling the Company's readiness to cater to these significant markets.

The expansion strategy in China included partnering with Shenzhen Hengtong Partner Company Ltd., who will handle distribution in the country and has also invested in Audientes, facilitating its entry and operational capabilities in the region.

In Japan, Audientes secured a distribution agreement with the large international distributor, TD SYNEX. The official launch of the Companion product took place in November 2023 at the Danish Embassy in Japan, followed by the establishment of Audientes' Japanese subsidiary in February 2024 supported by targeted promotional activities in Tokyo.

Overall, 2023 was a year of strategic repositioning and foundational achievements for Audientes, which is poised for a robust expansion in 2024, backed by enhanced product offerings and stronger market networks in Asia. With an increased presence and a quite mature product offering in several new markets, the lean base that have been established signals a credible path to profitability.

A significant achievement during 2023 was the completion of a major upgrade of Audientes software platform with new capabilities through over-the-air updates. This advancement ensures that the products remain user-friendly, high-performing and with excellent quality sound.

Building on this platform improvement, Audientes announced on January 12, 2024, that it is embarking on a transformative journey with the introduction of a software platform licensing initiative, targeting OEMs and brand partners. Audientes is leveraging its existing software and hardware platform and product creation skills in a strategic pivot designed to accelerate revenue growth, diversify its business, and solidify its market presence.

Professional feedback from hearing health players and end user feedback received in India has prompted Audientes to commence the design and development of a new hearing aid offering to complement its neckband-product design and expand the addressable market into the mainstream segment for hearing aids, still with focus on affordable and accessible products for underserved customer segments.

The Company is 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.

Agreements of importance

Convertible loan

Remaining convertible loan (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 loan is maturing by the end of September 2024. The lenders may elect to convert the loan 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 be reduced further during 2024 subject to further conversions of debt to equity.

Pre-subscription commitments

Members of the Board of Directors, Executive Management, their affiliated contacts, and other existing shareholders has entered subscription commitments amounting to approx. DKK 1.3 million (approx. 26 percent of the Issue amount). Payment in accordance with the subscription commitments has been provided from the parties in form of a bridge loan which will be set off against shares in the Rights Issue. The bridge loan carries two percent interest per started calendar month (non-compounding), the interest will also be set off against shares in the Rights Issue.

Manufacturing partner, OSM Global

Audientes has been working with Swedish-owned OSM Global 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, including pre-payments and commitments for the purchase of materials and components.

Other

Apart from that, the Company has no significant financial contracts, including loan agreements and other financing agreements, to support day-to-day operations, and there are also no significant licensing obligations. There has been no significant change in the Company's borrowing and funding structure since the end of the last financial period, 31 December 2023.

Certification and approvals

The Ven family of hearing health solutions are intended to be sold worldwide. In many markets FDA and CE/MDR approvals are necessary for Audientes' products to be marketed under the "hearing aid" nomenclature. In such markets and in accordance with applicable law, the Company intends to start by marketing it as a "Hearing Instrument" or "Assistive Listening Device" (ALD), or similar designation that is valid in that market. Once the approvals are obtained, expected in 2025 respectively, Ven can be marketed as a hearing aid. Until such time as these approvals are obtained, or if they are not obtained, or in the long run not deemed relevant, Audientes will instead work with alternative channels and markets appropriate for its products.

In compliance with hearing aid standards and testing processes, Ven meets several international standards for hearing aids:

- ANSI S3.7, 22, 25, 35, 36, 42.
- IEC 60118-0, 2, 4, 5, 6, 8, 12, 13, 14, 15.

Audiometry complies with the following international product standards:

- ANSI S3.6-2018 and IEC 60645-1: 2017 (audiometer).
- ISO 8253: 2010 Part 1: Pure-tone Air (audiometry).

Companion is certified according to relevant international standards for marketing in EU, USA, Japan and China as a consumer electronics device.

Trademarks, design protection and domains

The Company holds the trademarks Audientes and the letter 'a' in the Company's logotype, which are covered by trademark protection in India and several other markets of interest to Audientes future operations.

The Ven name is also trademarked in India and several other markets of interest to Audientes future operations including EU, WIPO, United Kingdom, USA, China, Japan, South Korea, Indonesia, Malaysia, The Philippines, Turkey, and Vietnam.

Audientes has applied for design protection on their hearing aid product Ven on several markets and some are still pending. The design of Ven is, at the date of this Memorandum, registered as a design belonging to Audientes in key manufacturing locations such as the EU, India, and China. It is Audientes assessment that the scope of protection for all brands are sufficient based on the Company's current operations.

Audientes holds the domains Audientes.com, Audientes.dk, Audientes.co.jp, Audientes.in, and Audientes.eu.

BUSINESS MODEL AND VALUE-ADDED GROWTH

Product and Software Platform business models

Audientes' original business model is based on designing, developing, manufacturing, and selling hearing aids and hearable products. Audientes has initially focused on markets where millions of people in the middle class do not have access to high quality hearing aids due to the aforementioned factors related to cost and accessibility. The ambition is to offer a broad product portfolio for sustainable hearing health.

The Company has a lean operating model, but aims to expand its capabilities within software, hardware, and audio to help its partners design, develop, and manufacture hearing and audio products for regulated and non-regulated markets. During the past years, Audientes has built up a network of experts and supply chain partners across Europe and Asia, with whom it will continue the collaboration and grow in new directions to deliver great customer experiences in the future projects.

The Company is now actively engaging in dialogues with potential partners to foster new product development by harnessing the capabilities of its proprietary software platform and product design. Target customers are OEMs and brand holders with robust brand presence and distribution networks, aiming to deliver compelling consumer focused hearing health products.

The software licensing model for collaboration with such third parties 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 its business model, aiding in the attainment of its 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.

Revenue will in the coming years therefore also be earned from licensees of its software platform as fees paid to Audientes per unit sold and for customer specific development. In the coming years, Audientes will also continue to invest in the sales, marketing and maintenance and support phase of Ven and Companion as well as its future products in the market, to ensure ongoing customer satisfaction and develop sales opportunities from upgrades and accessories.

Audientes has with its software platform licensing strategy recognized the power of strategic partnerships as a catalyst for its growth. Collaborating with Original Equipment Manufacturers (OEMs) and brands is key to leverage established distribution networks, thus facilitating a smoother and more scalable entry into new markets. These alliances will also provide the infrastructure to support after-sales service and customer support, which are crucial for excellent consumer trust.

An enhanced version 2 software platform release was introduced in Q2 2023, and a version 3 was released in Q1 2024, providing substantial continuous sound experience improvements and increased amplification.

Audientes personalization technology

Central to Audientes products and software platform is the personalization technology it has developed and integrated with the market leading fitting algorithm, NAL NL-2, licensed from National Acoustics Laboratories of Australia. The self-administered hearing test with automatic calibration means that the product is ready for use within minutes, personalized for the individuals hearing profile.

The most important quality standard in hearing test methods is PTA (pure-tone audiometry), which is used in by Audientes and in most professional equipment. PTA determines the presence, extent, and the frequency of hearing impairment. The output of the PTA test, an audiogram, shows the hearing ability at standardized frequencies and is used to program hearing aids. The output can also be used in personalization of the sound in hearing aids like Ven and hearables like Companion.

Users will therefore be able to personalize the hearing aid or hearable themselves without the assistance of a hearing expert or hearing clinic, which makes the initial set-up and maintenance significantly easier. Thus, a hearing aid becomes an accessible option for the middle-class consumer in low- and middle-income countries, and beyond, who do not need to visit expensive specialists in faraway locations. Similarly, a hearable like Companion is personalized in the matter of a few minutes to the individual hearing profile.

Audientes' products may be personalized via the device itself or the free-of-charge app. The app is available for free download and provides extended options for an improved user interface and improved product interaction such as the ongoing ability to fine-tune the audio experience, and programs for different usage situations, for example, parties, TV, and concerts.

Product portfolio and market

Audientes' product portfolio currently consists of two products – **Ven and Companion**:

- 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 will in 2024 be introduced in Japan, China, and other markets.

Ven and Companion are the first of Audientes products to enter the market. Audientes aims to make affordable hearing loss solutions in attractive designs and across a broad spectrum of form factors and technical specifications. With the products Ven and Companion, Audientes has a product portfolio covering large parts of the hearing health spectrum.

Ven™ by Audientes

Ven is Audientes first self-fitting, binaural (both ears) hearing aid in neck-band design, intended for people with up to severe hearing loss in one or both ears being able to alleviate hearing loss within the 26 dB to 80 dB range (disabling hearing loss is defined as a hearing loss for the best ear of more than 40dB). Ven can, for example, help people who have difficulty hearing what is being said in gatherings or hearing while in the proximity of a running vacuum cleaner, as well as people who can only hear/understand words shouted into their ears or who can only hear sounds as loud as a barking dog.

Ven has been developed with the following focus points in mind:

- Addresses moderate to severe hearing loss (disabling hearing loss)
- Self-fitting option or fitting by hearing expert remotely or at a clinic
- High quality (digital, 24-bit audio and 19 fitting channels) at a competitive price
- Neckband design (similar to the regular "earphones" design)

Ven is offered at a competitive price around \$300-350 in retail without sacrificing supreme quality and media consumption features such as audio streaming. Key benefits include clear amplified sound and natural sounding speech due to advanced noise cancellation and personalization of the sound, coupled with Bluetooth 5.2 connectivity for calls and media streaming.

Companion by Audientes

Companion is an advanced hearable, i.e. a consumer electronics product and Bluetooth headset in one, adapted for the individual user, who want to hear better in certain situations through personalized hearing enhancement recommended via a hearing test.

With a maximum microphone to speaker gain of over 50dB, Companion provides a valid alternative for those who are not quite ready for a traditional hearing aid, as well as for those who do not find the associated cost and stigma a good fit for them.

Companion is also made in the neck-band design and builds on the Ven hardware platform, leveraging the Audientes software platform. The product is marketed in Europe and from 2024 also in Japan and China.

New product – classic hearing aid in the RIC-style

Based on the past years of product development, marketing, and sales, Audientes have gained much real-world experience from being in the market with its Ven and Companion products. Continuously refining its software and hardware offerings, Audientes is dedicated to enhancing the user experience and ensuring its products are well-suited for the market.

Audientes announced on January 12, 2024, that it is 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 smartphone app and software platform, co-developed and manufactured with a partner.

The "RIC project" covers the development of a new product in the Behind the Ear type (BTE) / Receiver in Canal style (RIC) and will leverage the Company's software platform licensing model. This will expand the portfolio of offerings from Audientes and reach a broader target group initially in India and China with a product form-factor currently representing most of the hearing aid market. Audientes will continue to pursue its product business and market products under its own brand and is expected to get access to the manufactured product and secure rights to market this in its key markets.

This project involves in 2024 Audientes pursuing the medical device development ISO 13485 certification within software development, with particular focus on the development of the RIC-product.

GO-TO-MARKET - STATUS AND STRATEGY

Addressing the global hearing loss challenge

Today, 1.5 billion live with some degree of hearing loss globally, a number that could grow to 2.5 billion by 2050 due to a growing and ageing population, according to the WHO's World Report on Hearing. Most of these are people residing in low- and middle-income countries with a few numbers of hearing clinics and audiologists per capita.

Of these 1.5 billion people suffering from hearing loss, approx. 430 million people had so-called disabling hearing loss in 2019. A breakdown of this category shows that barely 10 percent stem from high-income countries (North America, Europe, Japan, Australia, and New Zealand), with approx. 14 percent from Africa, nine percent from Latin America, seven percent from Central and Eastern Europe with the remaining – approx. 60 percent – stemming from Asia, with China and India holding the dominant share.

Market projections and Audientes positioning

The projected unit shipments of hearables (which include consumer audio devices like wireless earbuds, smart earbuds, and hearing amplifiers) and clinical hearing aids are expected to show considerable growth in 2024, driven by factors like increasing prevalence of hearing loss, aging populations, technological advancements, and heightened awareness about hearing health.

The hearables market is a subset of the nearly 600 million annual units' wearable devices global market, capturing over 60% of the overall [wearables market in 2023](#). It is a fragmented market, driven by increased demand for wireless audio experiences, the popularity of active noise cancellation, fitness features, and health tracking. The market for the category of advanced hearables addressed by Audientes is a subset of the overall hearables market and is influenced by the rising prevalence of hearing impairment globally, increased access to affordable hearing solutions, technological advancements that enhance sound quality, and regulatory changes allowing direct-to-consumer hearing aid sales.

In comparison, the global hearing aid market exceeded 20 million devices sold in 2022 according to [EHIMA](#), the member association of the leading hearing aid manufacturers, and is expected to grow annually with around 5%. This estimation includes both traditional medical-grade hearing aids and newer over-the-counter (OTC) devices, with self-fitting capabilities, which are expected to positively impact the market. The growth varies by region, with North America and Europe traditionally leading the market, but the Asia-Pacific region is also growing and expanding considerably.

The classic clinical hearing aids market consists of a handful of large actors who provide a variety of quality hearing aid solutions for disabling hearing loss and at high price points, ranging from USD 400 to USD 3,000 per hearing aid. There are also many much smaller – and often national – players, offering less sophisticated products at lower price points and with lower quality.

Consequently, high-end hearing aid market competitors are experiencing disruption from the bottom up due to players in the consumer electronics field offering "advanced hearables" i.e., ear-worn devices, in a variety of shapes and sizes and with rich functionality complementing or substituting hearing aids in the channels. This is, according to Audientes assessment, going to exceed the size of the conventional hearing aid market many times in terms of both annual units shipped and overall market value.

End-users and buyers in focus

Audientes' hearing aids and hearables cater to a diverse range of customers, each with unique needs and preferences. The archetype of users includes the following:

- The first-time user, with moderate hearing issues, seeks an easy-to-use, high-quality device to enhance hearing, particularly in work settings.
- The reserve device user, already accustomed to hearing aids, desires a comfortable and flexible alternative for home use, enabling leisure activities like listening to music and watching TV.
- The geriatric client recognizes the need for a hearing aid later in life due to severe hearing loss, preferring devices that are easy to handle and possibly less clinically looking to reduce stigma.
- The pensioner, similar in needs, also requires affordability, balancing cost with the necessity of improving life quality through better hearing.
- Lastly, the family member acts as a proxy consumer, researching both online and locally for a straightforward, effective hearing aid to substantially improve the life of a relative.

These personas highlight the varied applications and accessibility features vital in Audientes' product range, emphasizing ease of use, comfort, and life-style appeal. Their potential as buyers and users is supported by three major global trends:

1. Growth of an aging but active population

The global population is both growing and ageing, leading scientists to estimate that the global population will increase from approx. 7.7 billion today, to approx. 10 billion by 2050 according to WHO. It is anticipated that among those, approx. 2.5 billion will suffer from some degree of hearing loss. As people live longer and want to participate in society to their best effort, Audientes believes this demographic and hearing loss progress can be beneficial for the Company and increase demand for smart ear-worn hearables with biometric and health related capabilities.

2. Booming self-help industry

The market for self-help and wellbeing solutions is large and fast growing. According to the [Global Wellness Institute](#), the global wellness economy will grow at a rate of approx. 9.9 percent annually and will grow to approx. USD 7.0 trillion in 2025. Stronger customer focus on self-care will benefit Audientes since such products may improve both workplace wellness as well as mental wellness.

3. A growing affluent middle-class

The size of the global middle class was forecasted to amount to approx. 4 billion by the end of 2021 and is forecasted to reach approx. [5.3 billion by 2030](#). By comparison, the size of the global middle class in 2007 was approx. 1.8 billion. If the number of people in middle-income countries who can afford Audientes hearing health products increases, it would, according to the Company's assessment, be very beneficial to Audientes. Approx. 88 percent of the additional middle-class population up until 2030 will be Asians.

Market learnings and growth strategy

India

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

The initial reception of Audientes' products in the market has been an invaluable source of insights for the Company, even if the initial sales so far in India have been modest compared with its expectations. The early stages of product marketing and sales provided a real-world testing ground, revealing key areas for improvement and refinement. Customer feedback from India has been instrumental in shaping the revised approach to this and other, new markets. Audientes took back the full responsibility for the distribution of Audientes' products in India in Q1 2024 and have secured control of the focus and effort put into marketing and sales of our current and future products.

Audientes India Pvt. Ltd. began in 2023 sales to local and national NGOs in India to make Ven available to people in underserved communities. In India, corporate companies support underprivileged people and causes through contribution of mandatory CSR-funding, which are used by NGOs to invest in e.g. hearing aids for their clients. Working with organisations like Association of People with Disability (APD) to address deserving clients in densely populated, low-income urban settlements, Audientes will over time aim to develop further such partnerships across the nation and move into rural areas throughout India as part of its broader sales strategy.

As part of its future expansion in India, Audientes is looking to establish local manufacturing and certification capabilities by forming partnerships with companies and institutions with expertise in medical device manufacturing and retail trade. These collaborations are expected to leverage the industry experience, extensive networks which Audientes has developed in India, strengthening its market presence across both wholesale and retail channels. Together with these actors, the Company plan to introduce and scale the production of its future Receiver In the Canal (RIC) hearing aids. This strategic move is designed to consolidate the footprint in the Indian market, ensuring a broad and effective distribution of its existing and future hearing solutions.

Nepal

Audientes partner in Nepal is M.B. Meditech, a hospital equipment and surgical supplier based in Kathmandu for the distribution and sale of Ven in Nepal. The expansion into Nepal aligns with Audientes' mission of offering accessible and affordable hearing health solutions in underserved geographies.

Our India-based team is responsible for supporting the distributor and offering product and sales training to help with the market introduction of the Ven-product and overall concept.

Japan

Audientes completed in late 2023 the Japanese version of its advanced hearable product Companion by Audientes, which received the needed type-approval from the Japanese Ministry of Telecommunications (MIC) related to Bluetooth radio functionality.

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 approx. 14 million people suffering from some degree of hearing impairment, but with a very low penetration of hearing aids.

Audientes has signed a distribution agreement with TD SYNEX, a leading distributor and solutions aggregator in Japan, part of the global TD SYNEX group, with a large reach in consumer electronics channels. The Company is now actively working to introduce the Companion product in channels in Japan and will be shipping products into the market in Q2 2024.

In aging societies such as Japan, alliances with mobile operators, retailers, healthcare providers and senior citizen-focused organizations will be instrumental in ensuring that the products are not only accessible but also recommended by trusted professionals.

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

China

Audientes have accelerated its market entry in China with several years compared with earlier plans due to a strategic distribution partnership with Shenzhen Hengtong Partner Company Ltd ("Hengtong"). To show their commitment to Audientes and the Chinese market entry, 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, prepaid product sales order totalling DKK 0.6 million, which is expected to be delivered and recognized in Q2 2024. The SRRC (State Radio Regulation of China) equipment type approval was secured in late 2023 and the creation of fully localized Companion products is in progress, including local product naming reflected in the packaging and user guides. Together with Hengtong, Audientes is working on localizing the Companion product for the Chinese market.

Hengtong and Audientes announced on April 3, 2024, plans to establish a joint venture in China to accelerate the availability of products for the Chinese and other markets, by shortening development, approvals and manufacturing time. This collaboration aims to deliver advanced yet affordable hearing solutions, tapping into the vast potential of the Chinese market. The joint venture will operate as a profitable commercial entity, jointly operated by Audientes and Hengtong. The core objective is to leverage Audientes' innovative hardware and software platform technology and product creation experience in combination with Hengtong's operational and distribution expertise.

The parties have signed a Letter of Intent outlining the key terms and conditions of the joint venture agreement and their respective contributions and responsibilities. This includes the rights of both parties to commercially exploit the products created in the joint venture, as well as the collaboration model for approvals and sales in different markets. Audientes will provide its software platform license and hardware reference designs, product design and development capabilities, audiology and hearing expertise, and support for the manufacturing and registration processes. Hengtong will contribute funds for operations and management, medical product registration, protection of intellectual property rights, and technical services.

Additionally, the effort to obtain medical device approvals in China has begun in collaboration with Hengtong. New products will be introduced on the Chinese market such as the new RIC hearing aid product.

Europe

Audientes started marketing and selling Companion in Europe in Q2 2023 with product availability in Denmark and Sweden. Companion has been made available in Europe via the Audientes.eu store but only sold in modest numbers due to no major investment in marketing.

In 2024, Audientes is looking to grow its consumer electronics business in Europe with the Companion hearable through more online marketing and business development of the retail segment. Audientes will continuously evaluate other market opportunities in Europe and monitor local conditions with a view to enter these with hearing aid products when opportunities are verified, and conditions are right.

Americas

New rules were introduced in 2022 by the FDA in the USA for hearing aids that can be sold in OTC (over-the-counter) channels, catering for mild to moderate hearing loss. People with such categories of hearing loss generally are not those with the most pressing needs and get by using other means, or none at all.

Audientes are continuing to monitor both the classic hearing aid market as well as the OTC-market development and plans to enter the US market with a new product based on our software platform in a design, updated and tailored to the relevant FDA rules in the coming years.

Beyond the USA, expansion to the Americas may include Canada, Brazil, and Chile, targeting consumers with a need for an affordable hearing solution, incl. in OTC channels as well as in traditional hearing clinics subject to local regulation.

Competitive landscape

The market for hearing aids is fragmented and consists of relatively many players who provide various hearing aid solutions in different price ranges and for the different categories of hearing loss: mild hearing loss, moderate hearing loss, severe hearing loss and profound hearing loss. The same is the case with the market for sound amplifiers (also called PSAPs, Personal Sound Amplification Products) and advanced hearables, but they are not intended to be used by hearing impaired people.

In Audientes view, the products presented to consumers at the present time can generally be divided into four categories:

- 1) Expensive high-quality hearing aid products that can provide a solution for up to profound hearing loss, produced by the five big and classic manufacturers.
- 2) Moderately priced "over-the-counter" (OTC) hearing aids, approved e.g. in the US as a solution for mild to moderate hearing loss, that also are produced by the established large manufacturers as well as a group of new players such as Eargo, Nuheara and Lexie.
- 3) Affordable sound amplifiers/personal audio amplifiers that can provide quite high sound amplification, which are manufactured by multiple manufacturers. However, these are not hearing aids per se.
- 4) New advanced but moderately priced "consumer electronics" products also called "advanced hearables", which are typically used for hearing enhancement in specific settings and are priced between PSAPs and the classic hearing aids.

There are several manufacturers of products that compete with Audientes' Ven and Companion products. Ven belongs in principle to the second group but with specifications and hearing quality as the first group and is also including support for fitting by audiologists and other hearing professionals as they require. Companion would belong to the fourth group as a quality offering with personalized and user-selectable programs for situational hearing enhancement to avoid damaging hearing health.

The PSAPs are produced by many manufacturers and come in many different designs and at prices from below DKK 150 to several thousand. Common to all the devices is that they amplify different frequencies in a predefined way regardless of the real needs of the individual user. They are therefore primarily aimed at people where price is a critical factor. However, as they can often amplify much, they are used by many people with more pronounced hearing loss, which according to the United States' FDA can damage their hearing.

FINANCIAL INFORMATION AND OBJECTIVES

Financial objectives 2024

This section contains forward-looking statements that reflect Audientes' plans, estimates and assessments. Audientes' actual EBITDA result for 2024 may differ materially from the outcomes expressed in such forward-looking statements.

The factors that could cause such differences include, but are not limited to, those set out later in this section and in other parts of the Memorandum, including the section called "Risk factors". Audientes Board of Directors is solely responsible for the content and for the underlying basis on which the assessment is based.

The estimate of Audientes EBITDA result for the financial year 2024 has been prepared in accordance with the accounting principles used by the Company, the profit estimate has been prepared on a basis comparable with the annual financial statements. The Company considers EBITDA to be a profitability metric that, in a balanced manner, reflects the profitability of the Company's underlying operations, prior to capital structure effects, and is assessed as having superior relevance from a shareholder perspective compared with earnings before tax (EBT).

The Company expects an operating result (EBITDA) for the financial year 2024 to be in the range of DKK -3.5 to -4.5 million.

Audientes aims to sell an estimated 5,000-6,000 units in 2024, distributed amongst its primary markets of India, Japan, and China and a minor number in Europe and Rest of the World. This would equate to sales revenue in the range of DKK 5-6 million.

Revenue will in the future also be derived by Audientes from licensees of its software platform (fee to Audientes per unit sold and for customer specific development), where the new partnerships for platform licensing are expected to provide future earnings opportunities. This is not part of the current estimate of revenue in 2024.

Furthermore, the Company's objective is to have a sales growth in the medium to long term in the range of 50-60 percent annually. The expected sales growth is calculated based on expected sales with a channel-differentiated price for wholesalers and chains, as well as online marketplaces in Audientes' target markets.

Based on projected sales numbers in 2024, production of more devices in current or revised design are needed for 2025. This translates to a potential working capital cash need for production of new sales units during Q4 2024 of approx. DKK 1.7 million.

Use of issue proceeds

Audientes seek further funding for its ongoing operations towards break-even which the Company aims to achieve in 2025.

Audientes is therefore carrying out a Rights Issue of shares to finance operational advancements, which initially will provide Audientes with approx. DKK 4.9 million (if fully subscribed) before issue costs of approx. DKK 0.8 million.

The net proceeds from the Rights Issue are intended to finance the Company's following activities (arranged by priority):

- Sales, marketing, and operations of the Companion by Audientes product in Japan and Europe – approx. 30 percent of the issue proceeds.
- Sales, marketing, and operations of Ven and in India, Nepal, and surrounding countries – approx. 20 percent of the issue proceeds.
- New product development and certifications for RIC hearing aid product for China, India, and other regulated markets with medical device rules – approx. 20 percent of issue proceeds.
- Products already made or to be manufactured at OSM Group – approx. 10 percent of the issue proceeds.
- General and administrative costs (incl. financial compliance) – approx. 20 percent of the issue proceeds.

Note that the shift to also operating a software platform licensing model is expected to diminish the necessity for working capital in the future (for the manufacturing of new products) by distributing the investment burden for new product development, manufacturing, and market expansion amongst its licensees.

Loans

The Company has a convertible loan from the previous bridge lenders Selandia Alpha Invest A/S, Renewable Ventures Nordic AB, and Mr. Gerhard Dal.

The loan amount to approx. 3.7 million and is maturing by the end of September 2024 with no interest and no instalments due until then. 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 the issue of shares (directed and rights issues) to others with a market value of at least TDKK 500, whether with or without pre-emptive rights for the Company's shareholders. In this situation, conversion will be made at the same price as the issue.

Financial Statements

The audited and published figures for the financial year 2023 are included below.

Income statement for 2023 (audited)

DKK '000	Group		Parent	
	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	-5,417	-9,589	-4,577	-8,511
Depreciation, amortisation and impairment losses	-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	-	-	-1,129	-2,899
Other financial income	113	207	113	207
Other financial expenses	-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	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 per December 31, 2023 (audited)

Assets DKK '000	Group		Parent	
	2023	2022	2023	2022
Completed development projects	8,573	9,825	8,573	9,825
Development projects in progress	177	1,184	177	1,184
Intangible assets	8,750	11,009	8,750	11,009
Other fixtures and fittings, tools and equipment	393	1,002	356	944
Tangible assets	393	1,002	356	944
Investments in group enterprises	-	-	-	-
Deposits	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
Equity and liabilities DKK '000				
Contributed capital	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	63	65	-	-
Provisions	63	65	0	0
Bank loans	50	62	50	62
Other short-term loans	0	4,847	0	4,847
Convertible loans	4,676	0	4,676	0
Trade payables	2,329	4,752	2,249	4,672
Other payables	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

Statement of changes in equity (audited)

Group	2023				Total
	Contributed capital	Reserve for exchange rate adjustments	Retained earnings		
DKK '000					
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

Group	2022				Total
	Contributed capital	Reserve for exchange rate adjustments	Retained earnings		
DKK '000					
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	2023				Total
	Contributed capital	Reserve for development expenditure	Reserve for exchange rate adjustments	Retained earnings	
DKK '000					
Equity beginning of year 2022	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	0
Profit/loss for the year	-	-	-	-13,405	-13,405
Equity end of year 2023	5,939	6,825	114	-8,858	4,020

Parent	2022				Total
	Contributed capital	Reserve for development expenditure	Reserve for exchange rate adjustments	Retained earnings	
DKK '000					
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 for 2023 (audited)

DKK 000'	Group	
	2023	2022
Operating profit/loss	-12,213	-23,817
Amortisation, depreciation and impairment losses	4,914	9,759
Other adjustments for non-liquidity items	378	126
Working capital changes	-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 property, plant 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 flow generated from operations and investments before financing	-10,684	-20,324
Cash increase of capital	2,789	11,865
Short-term loan and convertible loans, 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

SHARE CAPITAL, OWNERSHIP AND PRE-SUBSCRIPTION

Share data:

Market:	Spotlight Stock Market Denmark
Industry:	Denmark Healthcare
ISIN code:	DK0061406618
Ticker:	AUDNTS
Share capital:	DKK 693,843.22
Nom. value per share:	DKK 0.01
No. of shares:	69,384,322
Votes:	One share carries one vote

Pre-subscription commitments

The Company has received legally binding written subscription commitments from its CEO, Founder and CTO, its Chinese distribution partner, other external investors and providers of the existing convertible loan. The subscription commitments amount to approx. DKK 1.3 million, which corresponds to approx. 26 % percent of the Rights Issue.

The pre-subscriber's commitments in relation to the Rights Issue is documented in separate bilateral agreements and secured through advance transactions.

Name	Pre-subscription Commitment (DKK)	Share of Rights Issue (%)	Affiliation with Audientes	Agreement date
Steen Thygesen	400,000	30.8%	CEO and board member	27/03/24
Hossein Jelveh	200,000	15.4%	Founder, CTO & chairman	27/03/24
Shenzhen Hengtong Partner Company Ltd.	200,000	15.4%	Existing Shareholder	13/05/24
Michael Fehr	100,000	7.7%	Existing Shareholder	01/05/24
Johan Friis	100,000	7.7%	Existing Shareholder	03/05/24
Per Lindström	100,000	7.7%	Existing Shareholder	14/04/24
Selandia Alpha Invest A/S	100,000	7.7%	Existing Shareholder, Conv. Loan provider	12/04/24
Renewable Ventures AB	50,000	3.8%	Conv. Loan provider	12/04/24
Gerhard Dal	50,000	3.8%	Conv. Loan provider	12/04/24
Total	1.3 million	100%		

Potential conversion of debt via separate parallel directed issue of Shares

In connection with the Rights Issue the board of directors have authorized an increase of the Company's share capital without pre-emption rights for the Company's existing shareholders by up to a nominal value of DKK 300,000.00 by conversion of debt. The final decision to increase the share capital shall be made at a later meeting in the board of directors once the final allocation of shares has taken place and decisions to convert debts has been made.

All conversion of debt against Shares is utilizing existing authorizations. All conversion will take place in a separate parallel Directed Issue of Shares on identical terms with the Rights Issue.

The additional new shares may be realized because of conversion of debt (as specified below) and potential conversion of guaranteed commitments considered debt of up to DKK 1.05 million in aggregate (including interest), totalling up 30,000,000 additional shares (resulting in a share capital increase of a maximum of nominal DKK 300,000) to be issued subject to the conversion of the debt.

Audientes had at the end of 2023 total short-term debt at group level of approx. DKK 10.3 million, including the convertible loan of at that time DKK 4.7 million (now DKK 3.7 million after conversion to shares in Q1 2024). Of this overall debt, approx. DKK 2.5 million may be repaid out of the proceeds from the Rights Issue. Approx. DKK 135,000 related to fees due to board members may be converted into shares in the transaction, as summarized in the table below.

Name	Affiliation with Audientes	Conversions (DKK)	Share of Rights Issue (%)
Hiroshi Maeda	Existing Shareholder, member of the board of directors	68,000	1.4%
Wendi Ma	Member of the board of directors	25,000	0.5%
Jesper Rhode Andersen	Former member of the board of directors	42,000	0.9%

The remaining debt may be prolonged, renegotiated, converted, or repaid by proceeds from the Rights Issue or future transactions.

Ownership

As of April 17, 2024, three shareholders had declared a shareholding of more than 5%:

Shareholder	No. of shares	Holding, %
Michael Ole Fehrn	6,964,492	10.1%
Shenzhen Hengtong Partner Company Ltd.	3,562,522	5.13%
Johan Jacob Trap Friis	3,704,330	5.34%

As of April 17, 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 programs

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.

Below, the various warrant programs in Audientes are presented. At the date of this Memorandum, in addition to what is stated below, there are no outstanding warrants, convertibles or share-related incentive programs in the Company.

Prg #	Beneficiary	Role when warrants were issued	Number of Warrants	Danish company law Subscription price	Strike price in DKK	Issue date	Expiry date
1	Steen Thygesen	Management	400,000	3,900	0.39	23/08/2018	21/12/2023 (expired)
2	Steen Thygesen and Hossein Jelveh	Management	5,400,000	100	0.01	28/08/2020	31/12/2025
3	TEE Holding ApS	Business Partner	800,000	3,900	0.39	28/08/2020	21/12/2023 (expired)
4	Povl-André Bendz, Gitte Jürgens and Elsebeth Finnick	Board of Directors	1,400,000	3,900	0.39	28/08/2020	31/12/2025
5	Catherine Conlon	Senior full-time employee	1,200,000	3,900	0.39	28/08/2020	21/12/2023 (expired)
6	Henrik Christiansen, Kenneth Boye, Jesper Betzer, Vytis Barasnauskas, Christian Kraft and Steen Thygesen	Parts of the Management and senior full-time employees	4,900,000	6,164	0.62	23/12/2020	31/12/2025
7	Raman Rao	Senior full-time employee	400,000	17,000	1.70	18/10/2021	31/12/2026
8	Peter Røpke	Board of Directors	350,000	17,000	1.70	18/10/2021	31/12/2026
9	Frank Vium	Board of Directors	350,000	7,010	0.70	30/06/2022	31/12/2027
9	Peter Bøbel	Senior full-time employee	400,000	7,010	0.70	30/06/2022	31/12/2027

Audientes nominal price per share is DKK 0.01.

Related party transactions

Since 31 December 2021, Audientes has not been a party to other related-party transactions, which individually or together are material to the Company.

A member of the board of directors, Mr. Hiroshi Maeda, has as part of starting up the Japanese sales and marketing activities since 2023 submitted regular management consultancy invoices for fees incurred in relation to engagement of third-party vendors and part-time staff in relation to services rendered by these parties and by himself for local assistance. Hiroshi Maeda has via a privately held consultancy firm an indirect ownership stake in Audientes Co. Ltd. in Japan.

Authority proceedings, legal proceedings, and arbitration

Audientes has not been a party to any legal, arbitration or governmental proceedings (including pending cases or such that the Company is aware may arise), during a period covering at least the previous 12 months, that have had or could have significant effects on the Company's financial position or profitability. Nor has the Company been informed of claims that could lead to Audientes becoming a party to such a process or arbitration. There are no arrangements, known to the issuer, which may at a subsequent date result in or prevent a change in control of the issuer.

Dividend policy

The Company has not adopted a dividend policy; however, this is at the Annual General Meeting proposed to the Shareholders by the Board of Directors, and decided upon in the assembly.

Miscellaneous

There exists no provision of Audientes articles of association, statutes, charter, or bylaws that would have an effect of delaying, deferring, or preventing a change in control of the issuer.

THE BOARD OF DIRECTORS AND MANAGEMENT

General information

No board member or senior executive in Audientes A/S has been involved in bankruptcy, liquidation, or the like during the past five years. No board member or senior executive has at any time in the past five years been convicted in fraud-related cases, banned from business, or exposed to accusations or sanctions by authorities. There are no family connections and no conflicts of interest in Audientes A/S.

Hossein Jelveh, Chairman – CTO and Founder

Chairman since 10/03/2023.

Hossein Jelveh 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 small mobile/medical device domain, as well as 20+ years of SW development experience.

Owns 2,255,010 shares in Audientes A/S through fully controlled holding company Jelveh Holding ApS. Privately holds 2,700,000 warrants in Audientes A/S.

Steen Thygesen, Board member - CEO

Board member since 08/03/2023.

Steen Thygesen holds an MBA from London Business School and a Bachelor of Science in Electrical Engineering from Copenhagen University College. Steen has held executive positions within strategy, sales, and management in technology companies such as Star, Nokia Denmark, Specialisterne Foundation, Microsoft Corp., Symbian PLC and TDC A/S (formerly Telecom Denmark and Jydsk Telefon Erhverv).

Owns privately 310,789 shares in Audientes A/S. Privately holds 4,783,200 warrants in Audientes A/S.

Hiroshi Maeda, Board member

Board member since 08/03/2023. Independent.

Hiroshi Maeda is a graduate of the State University of New York and resides in Tokyo, Japan. He has over 30 years of experience in launching new business units and building alliances in the telecommunications, mobile communications, and ICT industries. He has held positions within strategy and commercial development for smartphone platforms at companies such as Motorola, Symbian, Microsoft, and Nokia in Japan.

Since 2015, he has established Japanese 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. He is part of the management of Audientes' subsidiary in Japan, in which he owns a 40% share.

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

Wendi Ma, Board member

Board member since 04/01/2024. Independent.

Wendi Ma is an experienced professional in business collaborations between Nordic companies and China. He is residing in Malmö, Sweden, and has a degree in Business Administration from Shangtao University in his native China.

Wendi has worked with Scandinavian companies such as Hästens AB, SensoDetect AB, Vibrosense Dynamics AB, and Audientes A/S.

Currently, Wendi serves as a board member at Sensodetect AB and Scandinavian Medicon Invest AB. He is also the Director of International Business in China at Scandinavian Executive Education & Research AB, and the CCIC Representative Officer in Scandinavia. Wendi represents companies like Guangzhou Pharma, Nextcell Pharma AB, Diamyd AB, Midsona AB, Vidasal AB, Acrilex AB, and Ternicol AB.

In the past, Wendi held positions including Director of International Business in China at Halmstad University Executive Education AB and founder of CT Food AB.

Auditor

Christensen Kjærulff
Statsautoriseret revisionsaktieselskab
CVR No.: 15915641

TERMS AND CONDITIONS

Issuer

Audientes A/S with corporate registration number (CVR) 36047631 shares are listed at Spotlight Stock Market Denmark under the ticker "AUDNTS" and with International Security Identification Number (ISIN) DK0061406618. The Company's LEI code is 984500F69AMF062DF496.

Decision regarding the issue

Based on existing authorizations, the Board of Directors decided on 14 May 2024 to increase the Company's share capital by a maximum of nominal DKK 1,387,686 through a Rights Issue of a maximum of 138,768,644 shares.

The offering

The offer consists of a rights issue of New Shares in Denmark with Subscription Rights for existing Shareholders in the ratio 2:1. New Shares that have not been subscribed for by Existing Shareholders or acquirers of Subscription Rights before the expiry of the Subscription Period may, without compensation for the holders of unexercised Subscription Rights, be subscribed for by Existing Shareholders or the general public before expiry of the Subscription Period. The offering consists of 138,768,644 number of shares at DKK 0.035 per share. At full subscription Audientes gross proceed will be DKK 4.9 million. Cost related to the offering amounts to approx. DKK 0.8 million. All new shares have the same security and rights as the existing shares. Memorandum and subscription form are available at the Company's website (<http://www.audientes.com/investor-relations>).

Subscription price

The subscription price is DKK 0.035 per share.

Subscription period

Subscription Period of New Shares by exercising Subscription Rights commences on 22 May 2024 at 9:00 a.m. CEST and will close on 4 June 2024 at 5:00 p.m. CEST. The subscription is binding.

Allocation of Subscription Rights

Each shareholder (as per the Record Date of 21 May 2024) will for every 1 (one) share receive 2 (two) Subscription Rights (a ratio of 2:1).

1 (one) Subscription Right give the holder the right to subscribe for 1 (one) New Share.

Trading and exercise of Subscription Rights

The Subscription Rights have been approved for admission to trading on Spotlight Stock Market Denmark with ISIN code DK0062954798 and will be traded in the ISIN code under the symbol "AUDNTS TR" from 17 May 2024 at 9:00 a.m. CEST to 31 May 2024 at 5:00 p.m. CEST.

Subscription amount

Shares are subscribed pro rata, or for as many as Existing shareholders wishes to subscribe. Existing shareholders have the right to subscribe for more than their pro rata right if not subscribed in full by the current shareholders and the general public can subscribe for shares that are not subscribed by the existing shareholders.

Maximum offer

The Issue consists of a rights issue of New Shares in Denmark. The Company is offering a total of DKK 138,768,644 Shares at the Subscription Price DKK 0.035 per Share and with Subscription rights for the Existing Shareholders. Each Subscription Right comprises of 1 (one) New Share (with a nominal value of DKK 0.01 each). A total of 138,768,644 New Shares will be issued in the case of full subscription in the Rights Issue of Shares.

Minimum proceeds from the Rights Issue

In the case of subscription where only pre-subscribers take part in the Rights Issue, gross proceeds will amount to approx. DKK 1.3 million. The net proceeds from the Rights Issue in case of only pre-subscribed amounts will be proportionally lower and is deemed to be sufficient for Audientes to carry out a reduced number of activities while pursuing additional alternative financing.

Subscription with Subscription Rights

Holders of Subscription Rights wishing to subscribe for New Shares must do so through their own custodian institution or financial intermediary, in accordance with the rules of such institution. The deadline for notification of exercise depends on the holder's agreement with, and the rules and procedures of, the relevant custodian institution or other financial intermediary and may be earlier than the end of the Subscription Period. Once a holder has exercised its Subscription Rights, the exercise may not be revoked or modified. During the Rights Trading Period, holders of Subscription Rights who do not wish to exercise their Subscription Rights to subscribe for New Shares may sell their Subscription Rights on Spotlight Stock Market Denmark, and a purchaser may use the acquired rights to subscribe for New Shares. Holders wishing to sell their Subscription Rights should instruct their custodian institution or other financial intermediary accordingly.

In connection with the Issue, the minimum number of Shares that a holder of Subscription Rights may subscribe for will be 1 (one) New Share, resulting from the holding of 1 Subscription Right and the payment of the Subscription Price of 1 (one) New Share. The number of Shares that a holder of Subscription Rights may subscribe for is not capped. However, allocation is only guaranteed for Shares subscribed with the use of Subscription Rights.

Any unused Subscription Rights (i.e. Subscription Rights that are not exercised during the Subscription Period or sold before the last day of trading) will lapse with no value, and the holder of such Subscription Rights will not be entitled to compensation.

Subscription for Remaining shares

The general public and Existing Shareholders can subscribe for any Remaining Shares not subscribed for with support from Subscription Rights. Such Remaining Shares will be subscribed for on the same terms, including dates, as for those subscribing using Subscription Rights.

Subscription shall be made on the subscription form, which is made available on the Company's website during the subscription period. The subscription form shall be completed and submitted to the account holders' own bank or financial intermediary according to their respective instructions. It is also possible to subscribe for shares digitally through other banks' trading platforms.

In case of oversubscription of Remaining Shares in connection with the Offering, such Remaining Shares will be allocated according to apportionment keys determined by the Board of Directors.

Plan of distribution and allotment

Allocation of Remaining shares will be decided by Audientes' Board of Directors, with the following guiding principles:

1. Subscription with support of Subscription Rights
2. Subscription for remaining shares (without support of Subscription Right)
3. Conversion of debt

In case of individual investors oversubscribing (without the use of Subscription Rights), the shares will be allocated according to apportionment keys determined by the Board of Directors.

Payment and delivery of New shares

Upon exercise of the Subscription Rights, the holder must pay DKK 0.035 (the Subscription Price) per New Share of a nominal value of DKK 0.01. Payment for New Shares must be made by cash contribution in DKK at the time of subscription upon exercise of the Subscription Rights. After payment for the subscribed New Shares at the Subscription Price, investors will receive electronic delivery of the New Shares in the form of interim shares in the investor's account at VP Securities A/S (Euronext Securities) under the interim ISIN code DK0062954608. The interim ISIN code will not be admitted to trading on Spotlight Stock Market Denmark.

The New Shares will, when fully paid up and registered with the Danish Business Authority, have the same rights as and rank pari passu with the Existing Shares, including with respect to eligibility for any dividends after the completion of the Offering. The New Shares will be negotiable instruments. No shareholder of the New Shares will be obliged to have the New Shares redeemed fully or partially by the Company or a third party and no transfer restrictions will apply to the New Shares.

The New Shares will be finally issued after registration of the capital increase with the Danish Business Authority, expectedly on 14 June 2024.

Holders of Subscription Rights must comply with the terms and conditions of their Danish custodian banks or other financial intermediaries through which they hold shares. Financial intermediaries through which a holder holds Subscription Rights may require payment on an earlier date.

Unless otherwise agreed, the custodian bank will send a notice to the owner of the account stating the number of New Shares subscribed for and the amount.

Notification of any allocation of Remaining Shares will be made, expectedly on 10 June 2024. Remaining Shares will be allocated and delivered to the investor's account in VP Securities A/S (Euronext Securities) against simultaneous payment of the Subscription Price, expectedly on 13 June 2024.

Delivery of Remaining Shares to the investor's account in VP Securities A/S (Euronext Securities) will be made in the interim ISIN code DK0062954608.

Withdrawal of applications of subscription

Instructions to subscribe for New Shares with Subscription Rights or subscriptions for Remaining Shares are irrevocable. However, in the event that a supplement to this announcement is published by Audientes during the time for trading in Subscription Rights and or the Subscription Period, investors shall have the right to withdraw subscription made for New Shares within two (2) business days from publishing of such information.

Announcements of the results of the Rights Issue

The results of the Rights Issue will be communicated in a company announcement through Spotlight Stock Market, expected to be published 10 June 2024, or as soon as possible after the Subscription Period ends.

Withdrawal or suspension of the Offer

The Offer may not be withdrawn by the Company.

The Company is not authorized to close the Offer on an earlier date than the last subscription date.

Advisors

Villand Capital is the financial advisor to Audientes in connection with the Rights Issue.

Issuing Agent

Danske Bank is the issuing agent.

Danske Bank A/S
Bernstorffsgade 40
1577 København V.

RISK FACTORS AND MANAGEMENT

Introduction

Business activities and investing in shares is always associated with risk and Audientes A/S is no exception to this rule. A number of factors outside the control of the Company can have an impact on its result and financial position, as well as many factors which the Company is able to influence through its actions.

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.

The risks that, according to the Company's assessment, are specific and material to Audientes and the Company's securities are described below. It is of great importance to consider the material risks associated with the future development of the Company and its shares. For natural reasons, it is not possible to assess all risk factors without a combined evaluation of other information in the Prospectus, along with a general assessment. The risk factors include an assessment of the probability of the occurrence of the risk and the extent of its negative impact on the Company listed as high, moderate, or low. The most material risks, as assessed by Audientes, take into account the negative impact on the Company and the probability of their occurrence, are set out first.

In addition to the information contained in this Memorandum, every potential investor should make his/her own assessment of each risk factor and what it may mean for the future potential of the Company.

Risks related to the Company's operations

Market acceptance and revenues

Marketing and sales 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.

The level of market acceptance and sales of Audientes products depends on several factors, including product characteristics, competing products, distribution channels, availability, price, margins, and sales and marketing efforts. Innovative products of the kind that Audientes sells are not usually distributed in large batches by distributors until the market and customers has become acquainted with the product's properties. Achieving the desired market acceptance and revenues, may take longer than the Company expects and a lack of it may have a negative impact on the Company's operations, financial position, and earnings. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be high.

To minimize this risk, Audientes has engaged people and partnered with organizations with deep experience in sales of related products. 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.

Financing

Audientes' anticipates further capital injection in 2024 to manufacture, market, sell and support its products Ven™ and Companion in sufficient quantities to meet its stated financial goals for the year, as well as continuing its new product development of the new RIC hearing aid product (Receiver in Canal). 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 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 its business further and, ultimately, continue operating. Any delays regarding market breakthroughs – or inability to meet high demand – may mean that cash flow is generated later than planned. The Company may need to raise additional capital in the future depending on how much revenue the Company succeeds in generating in relation to its costs. There is a risk that the Company will not be able to raise additional capital, achieve partnerships or other financing opportunities, or that such financing will not be obtainable on, for existing shareholders, favourable terms. This may mean that the marketing and sales activities is temporarily stopped or that the Company is forced to conduct operations at a lower rate than desired, which may lead to delayed or no commercialization and no revenue. The scenario may have a negative impact on the Company's operations, financial position, and earnings. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be high.

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, leveraging its quality management system introduced in 2022 in the preparation of the necessary documentation for submission of applications to the regulatory authorities.

The Company's current plans for registration and/or approval in countries include, but 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. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be high.

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), in order 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 Europe, USA, Japan, and China.

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 the Company's 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 its business further and continue operating. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be high.

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.

Supply chain

Delays in the supply of functioning products such as Ven and Companion to Audientes and its customers 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. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be high.

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

High production costs

Prices for materials and components 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. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be high.

During the past six years, Audientes has established a strong collaboration with our production partner, Swedish-owned OSM Group ("OSM"), a provider of Electronic Manufacturing Services, to develop and optimize product design and to ensure favourable 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 shares, as costs is likely to decrease then, subject to our scale of manufacturing and our position to negotiate and secure good rates.

External production and development partner

Audientes has been working with OSM since 2018 on both development and manufacturing. 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. There is a risk that OSM terminates the current agreement and subsequent sub-agreements, and Audientes cannot negotiate and enter new sub-agreements, including the production agreement. There is then a risk that the Company will have to find another supplier of these services. This can have a negative impact on the Company's operations, financial position, and earnings and adversely affect the Company's future ability to conduct business if the stock of existing products is exhausted. It is the Company's assessment that the probability of the risk occurring is low. If the risk were to materialise, Audientes considers the potential negative impact to be high.

Key personnel

Audientes is a small-sized company and is highly dependent on key personnel with great knowledge and experience within the Company's business area. 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. Other members of the leadership team are also considered key personnel due to the small size of the Company. Should any key personnel leave the Company, it could have significant negative consequences for the sales of its products, resulting in a negative outcome regarding Audientes' operations, financial position, and results. There is a risk that the Company will need to recruit new staff to replace key personnel, which can be a costly process both in terms of time and money. There is a risk that Audientes will incur increased expenses in the short term as a result. There is also a risk that the Company will not be able to replace staff. There is a risk that the Company cannot protect itself against unauthorized dissemination of information, which may mean that competitors may benefit from the know-how developed by Audientes. There is a risk that the Company's competitors, by using such dissemination of information, will further develop their products and that the Company will thus have increased competition, which may have a negative impact on the Company's position in the competitive landscape, with a decrease of earnings as a result. Losses of key personnel, as well as future shortcomings in new recruitment, may have a negative impact on the Company's operations, financial position, and results. It is the Company's assessment that the probability of the risk occurring is low. If the risk were to materialise, Audientes considers the potential negative impact to be high.

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 its 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. It is the Company's assessment that the probability of the risk occurring is low. If the risk were to materialise, Audientes considers the potential negative impact to be medium.

Disputes and legal claims

There is a risk that Audientes will be involved in disputes within the framework of its ordinary business activities and may also be subject to claims concerning contractual issues, product liability, and alleged problems or mistakes in deliveries of the Company's products. There is a risk that such disputes and claims will be time-consuming for the Company to deal with, disturbing normal business operations, and eventually result in the incurring of significant costs. For example, disputes may occur regarding the Company's intellectual property. There is a risk that such disputes and claims will be time-consuming for the Company, its management, and employees to deal with, disturbing normal business operations, and eventually result in the incurring of significant costs and/or losses. It is not possible to anticipate in advance the outcome of complex disputes, and there is thus a risk that disputes will have a material adverse impact on the company's business operations, earnings, and financial position. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be high.

Currency

Audientes' product Ven has been launched in India and the Company is planning to enter other markets such as USA and new Asian key markets in the coming years. There is a risk that sales revenues will decrease in connection with invoicing and receiving payments in foreign currency. There is a risk that exchange rates will change significantly and that revenues from Audientes' existing – or future – customers will be negatively affected by changes in exchange rates. If, for example, the Danish kroner, which is the Company's accounting currency, increases in value in relation to the Indian rupee, there is a risk that the Company's revenues from existing or future customers will decrease. This in turn entails a risk of a decline in Audientes operating profit. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be medium.

Competitors

Audientes operates in a competitive market characterized by global competition, rapid technological development, and sometimes regulatory requirements. Other competing companies may manufacture and sell products with similar functions as Audientes' and to the same target groups, regardless of the differences between the products, which are competitors of the Company. Competitors can also adapt their technology to resemble Audientes and in the long run develop products that prove to be better than the Company's, which could have a significant negative impact on the Company's operations, financial position, and results. There is a risk that competitors, in the capacity of their size, will develop products equivalent to Audientes, but may compete through – for the Company – unfavourable pricing. The existence of such competitive situations risks limiting the Company's ability to receive revenue, which would have a material adverse effect on the Company's operations, financial position, and results. Increased competition may mean negative sales and earnings effects for the Company in the future. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be medium.

Intellectual property rights

There is a risk that future intellectual property rights held by the Company will not constitute adequate commercial protection. If the Company is forced to defend its intellectual property rights against a competitor, this may entail significant costs, which may adversely affect the Company's operations, earnings, and financial position. It cannot be ruled out that new products in the field may affect the business. The uncertainty associated with intellectual property rights means that the outcome of such disputes is difficult to predict. Negative outcomes of disputes can lead to lost protection, a ban on continuing to exercise the current right, or an obligation to pay damages. In addition, the costs of a possible dispute, even in the event of a favourable outcome for the Company, can be significant, which could adversely affect the Company's operations, financial position, and earnings. The above could mean difficulties in generating revenue. Audientes is also to some extent dependent on know-how and company secrets, which are not protected by legislation in the same way as intellectual property rights. The Company uses confidentiality agreements and thereby strives for far-reaching protection for sensitive information. However, it is not possible to fully protect oneself against unauthorized dissemination of information, which entails a risk that competitors will benefit from and be able to benefit from the know-how developed by the Company, which could be to the detriment of the Company. It is the Company's assessment that the probability of the risk occurring is medium. If the risk were to materialise, Audientes considers the potential negative impact to be medium.

Risks related to the Company's shares and the Rights Issue

Securities may fluctuate in value or liquidity

As a result of rising inflation and interest rates, concerns about a possible recession and general concerns about the war in Ukraine, the stock market climate has deteriorated. In the short term, this has affected growth companies that have experienced sharp price declines. Audientes is a growth company and a lower interest in such companies can affect the liquidity of Audientes share and future share price. Price fluctuations can occur regardless of Audientes' performance or development. The value of the securities and the liquidity is in addition dependent on Audientes performance and may be negatively affected if Audientes do not reach set objectives. Hence, there is no guarantee regarding the future price development of the Company's securities, and the value of the investment may increase as well as decrease. Since an investment in Audientes' securities may both rise and fall in value, there is a risk that an investor will not regain invested capital. In the event of the risk occurring, there is a risk that the Company's shares cannot be sold for a price acceptable to the holders, or at all, at any time. It is the Company's assessment that the probability of the risk occurring is medium.

Unsecured pre-subscription

Several different parties have entered pre-subscription commitments whereby they have undertaken to subscribe for approx. DKK 1.3 million, corresponding to approx. 26 percent of the Rights Issue. However, a couple of these commitments are not confirmed or secured via prior transactions, bank guarantees or similar. Consequently, there is a risk that one or several of said parties will not fulfil their respective commitments. If the above-mentioned commitments are not met, this could negatively impact Audientes' ability to successfully complete the Rights Issue, which in turn could adversely affect the Company's business activities with negative impacts related to reduced financial resources propel the business activities forward going into the future. It is the Company's assessment that the probability of the risk occurring is low.

The securities are subordinated to most of the Company's liabilities

Audientes securities represent subordinated debt obligations of the Company. This means that if Audientes is subject to any liquidation or bankruptcy, the shareholders normally receive payment after all other creditors have been paid in full. As the shareholder will only have an unsecured claim against the Company, the shareholders may not recover any or all of their investment. Any potential investor should therefore be aware that an investment in the Company's shares and warrants entails a risk that the investor loses all or part of its investment if the Company becomes liquidated, bankrupt, insolvent, carries out a restructuring, or is wound-up. It is the Company's assessment that the probability of the risk occurring is medium.

Owners with significant influence

The Company's largest owners (Michael Fehrn, Johan Friis, Shenzhen Hengtong Partner Company Ltd. and Jelveh Holding Aps) together hold approx. 23.82 percent of the total share capital and voting rights in the Company as of the date of this prospectus. Jelveh Holding Aps is wholly owned by Audientes' founder and CTO, owning approx. 3.25% percent of votes and capital in Audientes. These shareholders, individually or together, can exercise a significant influence on matters that require approval from the shareholders, including the appointment and dismissal of board members and any proposals for mergers, consolidation, or sale of assets and other corporate transactions. The interests of these shareholders may differ in whole or in part from the interests of other shareholders. If these shareholders were to sell all, or part of, their respective shareholdings in the Company, this could also have a material adverse effect on the price of the Company's shares. It is the Company's assessment that the probability of the risk occurring is medium.