



The Board of Audientes A/S resolves on a rights issue of units of approx. DKK 24.3 million in total, extends a previous loan, and communicates new objectives

Company announcement no. 28-2022

November 18, 2022

The Board of Directors of Audientes A/S (CVR.No. 36 04 76 31) has today, with the support of the authorization from the extraordinary general meeting held on 11 October 2022, resolved on an issue of units with pre-emptive rights for existing shareholders, in which the public is also given the opportunity to participate (the "Rights Issue"). The Rights Issue can initially provide Audientes a maximum amount of approx. DKK 14 million before deduction of transaction related cost, followed by a further maximum amount of approx. DKK 10.3 million (before transaction related costs) referring to the exercise of attached warrants of series TO 1 in March/April 2023. Approx. 45.2 percent of the initial part of the Rights Issue is covered by subscription commitments and so called "top down" and "bottom up" guarantee commitments. In addition, Audientes largest shareholder, Jelveh Holding Aps, has agreed not sell any subscription rights and to make these subscription rights available for the company, free of charge, to place in accordance with potential interest from professional investors in connection with the Rights Issue. In addition, Audientes extends an existing loan of approx. DKK 7.5 million which partly will be set of against any allocation of units to the lenders in the Rights Issue. The company also releases new operational objectives connected to the fund raising.

Background and motive

In connection with Audientes' IPO in September 2020, the Company was in the late stages of research and development of its initial product – the smart and user-friendly hearing aid solution, Ven. Audientes hired more staff after the IPO to finish the development of Ven to enable market entry and meet demand as soon as possible. From 2021 and onwards, Audientes has increased sales and marketing activities to pave the way for a successful launch of Ven in India. As a result of these efforts, Audientes has created a vast distribution network consisting of 80 wholesales collaboration partners, making Ven available at more than 500 points of sale all over India, and began sales of Ven in March 2022. Audientes has also established its online sales platform and a logistics platform as well as related processes for this.

It is Audientes' ambition to create strong sales growth and good profitability. To achieve this, the Company plans to continue the expansion of the distribution network in India and increase sales of Ven. A key factor in the ability to sell Audientes' products in existing and future markets is the planned marketing of Ven and the new product Companion, with the purpose to increase knowledge and awareness of Audientes' products. Hence, the Company will focus on sales and marketing activities in the coming year, including increased efforts in the B2B sales channel and investments in broadening the reach in the B2C channels. Audientes also plans to launch the Company's products in USA and Europe in 2023 with Companion by Audientes and in 2024 with the OTC device in USA.

This will be done by employing either a B2B high-touch (own representation) or low-touch (local distribution partners) market entry model, or a combination of both – tailored to local conditions. Online sales across a variety of B2C channels is a key element in the market entry strategy in all countries where Audientes may market and sell its hearing health products.

Audientes has resolved on a pre-emptive Rights Issue of units to finance activities related to future objectives, primarily intensifying marketing and sales activities in India as well as USA and Europe in 2023, and to improve the balance sheet by amortizing debt. As [previously communicated](#), Audientes CEO, other existing shareholders and investors have agreed on a bridge loan providing Audientes with approx. DKK 1.1 million which is to be set off against units by subscription commitments in the Rights Issue.

In April 2022 Audientes secured a loan of approx. DKK 7.5 million, which was previously due for 20 November 2022. The lenders and Audientes have mutually agreed to extend the loan until the latest 30 June 2023. The extended loan carries the same essential terms as before, i.e., an interest rate of two percent per started calendar month and a non-interest-bearing commitment fee of 5 percent.

The same lenders have entered into so called “top down” guarantee commitments in the Rights Issue amounting to approx. DKK 3.5 million, and any allocation of units in the Rights Issue, as well as any issue proceeds surpassing DKK 10 million, will be set off against their interest claims and outstanding loans.

In addition to the top-down guarantee commitments Audientes has agreed on so called “bottom up” guarantee commitments with external professional investors in the Rights Issue amounting to approx. 1.7 DKK million.

It is the Board's assessment that the total net proceeds from the Rights Issue, including full utilization of warrants of series TO 1 to the highest strike price, will be sufficient to conduct current operations at the desired rate during at least the next twelve-month period.

Use of proceeds

The Rights Issue can initially provide Audientes with approx. DKK 14 million (if fully subscribed) before transaction related costs of approx. DKK 2 million (of which approx. DKK 200 thousand is related to cash compensation to agreed bottom-up guarantee commitments). In addition to finance the company's growth activities (described below) Audientes also aims to strengthen the balance sheet and hence use any issue proceeds surpassing DKK 10 million to repay interest claims at first hand and secondly outstanding debt. The company plans to repay any remaining amount of the approx. DKK 7.5 million loan after the initial part of the Rights Issue, in the following exercise of warrants of series TO 1.

The maximum net proceeds of approx. DKK 10 million from the initial part of the Rights Issue (after amortization of interest and loan) are intended to finance the following activities (arranged by priority):

- Sales, marketing, and operations of Ven and Companion in India and surrounding countries – approx. 15 percent of the issue proceeds.
- Sales, marketing, and operations of the newly developed product Companion by Audientes in USA, Europe, and Japan – approx. 45 percent of the issue proceeds.
- New product development and certifications for USA and other regulated markets with medical device rules – approx. 25 percent of issue proceeds.
- General and administrative costs (incl. financial compliance) – approx. 15 percent of the issue proceeds.

If all warrants of series TO 1 are exercised to the highest strike price, the net proceeds are approx. DKK 9.3 million from the warrant exercise. Any funds not used for repayment of any remaining interest or loan are intended to finance the following activities (arranged by priority):

- Sales, marketing, and operations of Ven and Companion in India and surrounding countries – approx. 15 percent of the issue proceeds.
- Sales, marketing, and operations of Ven and Companion in Europe and Asia – approx. 25 percent of the issue proceeds.
- Sales, marketing, and operations of Companion in USA – approx. 20 percent of the issue proceeds.
- New product development and certifications for USA, EU, and other regulated markets with medical device rules – approx. 25 percent of the issue proceeds.
- General and administrative costs (incl. financial compliance) – approx. 15 percent of the issue proceeds.

Terms for the Rights Issue

The Board of Directors of Audientes has today, with the support of the authorization from the extraordinary general meeting held on 11 October 2022, resolved on the Rights Issue of a maximum of 9,349,010 new units, consisting of 18,698,020 new shares and 9,349,010 warrants of series TO 1 that are issued free of charge. The Rights Issue can initially provide the Company with a maximum amount of approx. DKK 14 million before deduction of transaction related costs, followed by a maximum amount of approx. DKK 10.3 million before deduction of transaction related costs referring to the exercise of attached warrants of series TO 1.

Audientes existing shareholders have pre-emptive rights to subscribe for units in relation to existing shareholdings. Those who are registered as shareholders in Audientes on the record date of 28 November 2022 have pre-emptive rights to subscribe for units in the Rights Issue. The subscription price in the Rights Issue is DKK 1.50 per unit, which corresponds to DKK 0.75 per new share. For each existing share, one (1) pre-emptive right is obtained (so called unit right). One (1) pre-emptive right entitles the holder to subscribe for one (1) new unit. Each (1) unit consists of two (2) new shares and one (1) new warrant of series TO 1. The warrants of series TO 1 are issued free of payment.

Units must be subscribed during the subscription period starting from 1 December 2022 up to and including 15 December 2022. The public also has the possibility to subscribe for units in the Rights Issue.

Last day of trading in Audientes' shares including the right to receive unit rights in the Rights Issue is 24 November 2022. First day for trading in Audientes' shares excluding the right to receive unit rights is 25 November 2022. Trading in BTU (paid subscribed unit) takes place from and including 1 December 2022 until the Rights Issue has been registered with the Danish Companies Registration Office. This registration is expected to take place around 22 December 2022. The Board of Directors has the right to extend the subscription period and last day for payment.

The initial part of the Rights Issue will result in a share capital increase of a maximum of DKK 1,869,802, from DKK 934,901 to a maximum of DKK 2,804,703, through the issue of a maximum of 18,698,020 new shares. The number of shares in Audientes after the initial part of the Rights Issue will, upon full subscription, amount to 28,047,030 shares. Existing shareholders who choose not to participate in the Rights Issue will be subject to a dilution effect corresponding to approx. 67 percent of the total number of shares and votes in the Company after the initial part of the Rights Issue, calculated on the number of shares in the Company after the initial part of the Rights Issue, upon full subscription. Shareholders who choose not to participate in the Rights Issue have the opportunity to compensate for the financial dilution effect by selling their subscription rights no later than 13 December 2022.

Complete terms and conditions for the Rights Issue as well as more information about Audientes will be presented in the prospectus which is expected to be published on the Company's website around 23 November 2022.

Terms for warrants of series TO 1

The exercise price in the following warrant exercise of series TO 1 shall amount to seventy (70) percent of the average volume-weighted price for the share according to Spotlight Stock Market's official price statistics during a period of ten (10) trading days ending two (2) banking days before the exercise period begins. Audientes will at latest publish the exercise price the day before the first day of the exercise period. The exercise price shall

be rounded to the nearest whole Danish øre. The exercise price may not exceed DKK 1.10 per new share and shall not be less than the share's quota value of DKK 0.10 per new share.

One (1) warrant of series TO 1 gives the right to subscribe for one (1) new share in Audientes. Warrants of series TO 1 have an exercise period starting from the 27 March 2023 until and including the 13 April 2023.

Provided a fully subscribed Rights Issue and a full exercise of warrants of series TO 1, the number of shares in Audientes will amount to 37,396,040 shares and the share capital will amount to DKK 3,739,604. Provided a fully subscribed Rights Issue and full exercise of warrants of series TO 1, the utilization means a further dilution of approx. 25 percent of the votes and capital. Warrants of series TO 1 are intended to be admitted to trading on Spotlight Stock Market after final registration with the Danish Companies Registration Office. Last day of trading in warrants of series TO 1 is estimated to 11 April 2023.

Commitments in relation to the Rights Issue

In total, approx. 45.2 percent of the initial part of the Rights Issue, corresponding to approx. DKK 6.3 million, is agreed upon in writing by pre-subscription and guarantee commitments. Approx. DKK 1.1 million refers to pre-subscription commitments from Audientes CEO, other existing shareholders and investors and approx. DKK 5.2 million refers to guarantee commitments from the company's lenders and external professional investors.

Out of the total guarantee commitments, approx. DKK 3.5 million (approx. 25 percent of the initial issue amount) are so called "top down" guarantee commitments which will be added to any final subscription level of the Rights Issue up to maximum 100 percent of the initial issue amount. Any allocation of units in the Rights Issue according to the "top down" guarantee commitments will be set off against outstanding loans and interest claims. The "top down" guarantee commitments carry an underwriter's fee of 15 percent of the guaranteed amount which will be set off against additional units to the same terms as in the Rights Issue.

At the time of the issue decision and in addition to above "top down" guarantee commitments, Audientes has secured approx. DKK 1.7 million (approx. 12.3 percent of the initial issue amount) in so called "bottom up" guarantee commitments up to a subscription level of approx. 20.2 percent in the Rights Issue. The "bottom up" guarantee commitments carry an underwriter's fee of 12 percent of guaranteed amount to be paid in cash.

Furthermore, Audientes largest shareholder, Jelveh Holding Aps (holding approx. 24 percent of the capital), has agreed not sell any subscription rights and to make these subscription rights available for the company, free of charge, to place in accordance with potential interest from professional investors in connection with the Rights Issue.

Audientes will continue to evaluate and take advantage of potential investment interest from professional investors in connection with the Rights Issue during the course of the capital raising.

Indicative timetable for the Rights Issue

- Prospectus published on the Company's website: Around 23 November 2022.
- Last day of trading in shares including the right to receive unit rights: 24 November 2022.
- First day of trading in shares excluding the right to receive unit rights: 25 November 2022.
- Record date for participation in the Rights Issue: 28 november 2022.
- Trading in unit rights: 1 December 2022 – 13 December 2022
- Subscription period: 1 December 2022 – 15 December 2022
- Publication of the final outcome of the Rights Issue: around 20 December 2022
- Trading in BTU: From 1 December 2022 until the Rights Issue has been registered with the Danish Companies Registration Office. The last day of trading in BTU will be announced through a separate press release.

Audientes releases new objectives

In connection with the Rights Issue, Audientes has decided on new objectives, stretching from 2023 until 2025.

2023

- Further develop the collaboration with distributors & retail partners in India and increase its B2B go-to-market model to over 800 retail points of sale.
- Introducing the advanced hearable "Companion by Audientes", a consumer electronics product expectedly commercially available from Q1 2023, in key markets with emphasis on USA, Europe, and Asian countries, such as India and Japan, strengthening Audientes growth potential and broadening its product portfolio and offerings.
- Secure ISO 13485 approval (quality management system), which will enable Audientes to attain medical device approvals in Europe and in a variety of other markets worldwide for its coming products.

2024

- Further scaling the business in India, USA, Japan and in further European countries, growing the Company's B2B channels to over 1,600 points of sale.
- Introduce a new hearing aid product in the USA market for B2C and B2B channels to capitalise on the new regulation from the FDA enabling over-the-counter (OTC) sales of self-fitting hearing aids such as Audientes'.
- Expand B2C and B2B channel presence to other countries in Asia and Latin America subject to verified market potential and operational conditions such as local distribution partners.
- Commence development of future products to be introduced to markets worldwide in the 2026 timeframe.

2025

- Develop primary markets in Asia, USA, and Europe by replicating the B2B channel model in additional states and channels to over 2,400 points of sale.
- Achieve EU/MDR (Medical Device Regulation) certification for a hearing aid product and begin marketing and selling it in select European markets.
- Assess China market potential and develop entry strategy for the Company's medical grade hearing aid products in 2025/26 horizon.
- Assess market penetration potential in middle income countries (MICs) in Middle East and Africa to establish a presence in these people-rich countries with substantial potential for the Company.

Advisors

Sedermerna Corporate Finance AB is the financial advisor and Markets & Corporate Law Nordic AB is the legal advisor to Audientes in connection with the Rights Issue. Shark Communication AB is communications advisor and Danske Bank is the issuing agent.

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About Audientes A/S

Audientes A/S is a Danish hearing health company specializing in smart, self-fitting and affordable hearing aids and advanced hearables. Audientes' unique hearing aid solution, Ven™ by Audientes, is available for purchase in the Indian market, online and in retail, and will be introduced to the US over-the-counter market and other markets in the coming years. Companion by Audientes is an advanced hearable consumer electronic product that will be launched in Europe and USA in Q4 2022 with commercial availability in early 2023.

Audientes' mission is to help the approximately 500 million people globally suffering from disabling hearing loss who either cannot afford to buy one of the very expensive hearing aids on the market, or who do not currently have access to a solution to their hearing loss.

Audientes is listed on Spotlight Stock Market Denmark (AUDNTS) and headquartered in Copenhagen, Denmark with a subsidiary in Hyderabad, India.

For additional information please refer to the company's website, <http://audientes.com>.

This disclosure contains information that Audientes is obliged to make public pursuant to the EU Market Abuse Regulation (EU nr 596/2014). The information was submitted for publication, through the agency of the contact person, on 18-11-2022 20:50 CET.