2023
ANNUAL REPORT

BRAIN+ A/S
KØBMAGERGADE 53, 3.
COPENHAGEN K, DENMARK
BUSINESS REG. NO.: 36439440
BRAIN-PLUS.COM

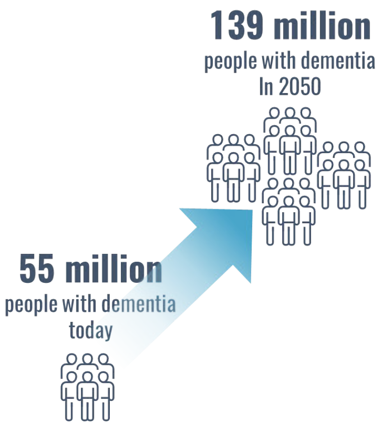
BRAIN+ IN BRIEF

Certified health tech solutions for better dementia management

It is our commitment to help people with dementia live better lives by treating cognitive decline, which is the most devastating consequence of the condition. Following from this, we aim to be the preferred provider of certified health tech solutions for better dementia management, servicing several million people affected by dementia by 2030.

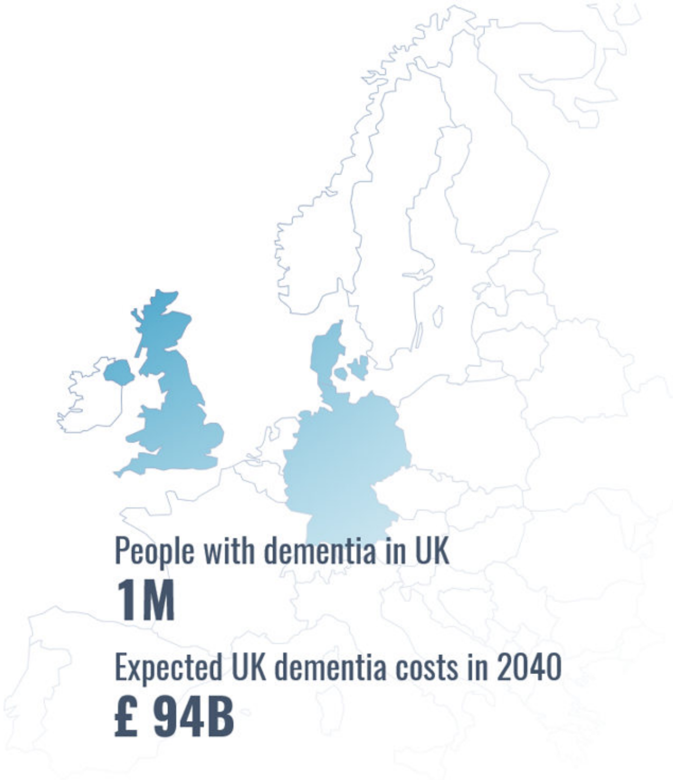
Dementia – one of the biggest healthcare challenges of our century

Dementia is a term for several diseases, of which Alzheimer's is the most common, that affect memory, thinking, and the ability to perform daily activities. Dementia prevalence increases with age and is expected to have tripled by 2050, when 1 in 6 people worldwide will be +65 years of age. Effective treatment options are scarce, and dementia is an overwhelming and growing burden for the people affected by the condition as well as for their families, healthcare systems and societies.



A unique position with a focus on Cognitive Stimulation Therapy (CST)

Our most mature solutions for better dementia management build on an in-house developed health tech platform for effective delivery of CST. CST is a psychosocial therapy for cognitive stimulation with clear, demonstrated clinical benefits for people with dementia. The therapy is recommended by the World Alzheimer's Association for worldwide implementation and increasingly getting recognized by national healthcare organizations for its effect. E.g. is CST the only non-pharmaceutical dementia therapy which is recommended for national implementation by NICE in the UK.



Our CST-Assistant: commercially tested in DK/Germany and planned for UK launch in 2024

Our CST-Assistant (formerly referred to as CST-Therapist Companion) is a software solution that offers a readily accessible, customizable and high-quality CST therapy program to support CST delivery. It enables scalable implementation of CST in health care systems, while saving valuable time for CST-therapists. It has been developed in close collaboration with leading dementia KOLs, the UK inventors of the CST method and leading CST therapists.

A v1.0 of the CST-Assistant has been commercially tested in DK since late 2022 – and in smaller scale in Germany since Q2 2023. Since then, we have signed 6 initial sales contracts with 4 Danish municipalities. A significantly upgraded v2.0 of the product is targeted for EU and UK certification as a medical software in Q2 2024 and subsequent commercial release in DK and the UK.

"It is great to see a product being developed that provides such a practical and user-friendly platform to provide CST, I believe that the CST-Assistant *(product) will add value for CST therapists."*
Prof. Aimee Spector, UCL, co-inventor of CST

3 health tech dementia management products in development

Brain+ has developed 3 health tech platforms for dementia management: software-based Cognitive Stimulation Therapy (CST), Computerized Cognitive Training (CCT) and Starry Night, a software tool for detection of early indications of dementia.

This has so far resulted in 3 defined health tech dementia products at different stages of development (see graphical overview below): the CST-Assistant v.2.0, CST-Home Care and CST for Mild Cognitive Impairment.

Operational outlook

We are executing a UK focused go-to-market plan which has been developed with health tech specialized regulatory and commercial partners. This is expected to lead to scalable revenues from the end of 2024 as an important step towards operational break-even for the company in 2026.

1) CST-Assistant: A health tech solution to support scalable and high-quality delivery of group CST via a readily accessible preparation system, content adaptability and a standardized delivery form, which lessens the dependence of CST performance on therapists.

2) CST-Home Care: Intended for use to extend and scale the delivery of CST to a home setting, enabling broader access to the therapy for a larger dementia population at limited costs.

3) CST/CCT Combination Product: Tailored for individuals with Mild Cognitive Impairment, combining Cognitive Stimulation Therapy with Computerized Cognitive Training to train cognitive function and potentially delay the transition to dementia .

4) Starry Night: A software based test designed to detect early signs of cognitive decline and enable early targeted intervention and treatment.

TECHNOLOGY	PRODUCT	REGULATORY CLASS	TARGET USE	MATURITY STAGE				
				Technology	Pilot	Clinical	Regulatory	Market
Software-based Cognitive Stimulation Therapy (CST)	CST-Assistant v1.0	Non-classified support tool	Mild to moderate dementia					
	CST-Assistant v2.0	Medical device software Class I	Mild to moderate dementia					
	CST-Home Care	Medical device software Class I/IIa	Mild to moderate dementia					
Computerized Cognitive Training (CCT)	CST / CCT combination product	Medical device software Class IIa	Mild cognitive impairment (MCI)					
Starry Night memory test	Cognitive impairment test	TBD	Detection of early cognitive decline					

FINANCIAL HIGHLIGHTS 2023

Brain+'s financial performance in 2023 is reflective of the company's activities being dominated by product development and market access. While initial sales contributed to revenue, gross profit was still mainly driven by recognized revenue from grant-funded projects and capitalized own work.

Staff expenses as the primary cost element were reduced compared to 2022 as a result of cost cutting measures. Due to challenging capital market conditions, net proceeds from the company's share capital transactions in 2023 were lower than expected, resulting in a negative net cash flow for the year.

2023 financials

Staff expenses

-11.0M

Profit/loss

-19.1M

Net cash flow

-3.3M

2023 liquidity and capital resources

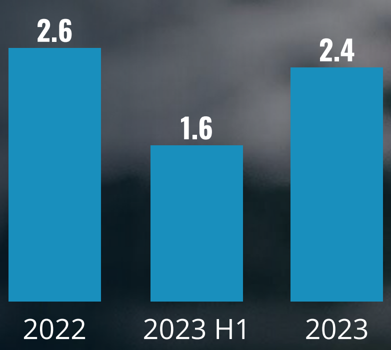
End of period cash and equivalents

3.1M

End of period equity

12.4M

Gross profit (DKK million)



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KEY FIGURES 2023

DKK	Full year 2023	Full year 2022	6 months ended june 30, 2023 (not audited)	6 months ended june 30, 2022 (not audited)
Income statement				
Gross profit	2,352,491	2,643,080*	1,619,151	1,904,875
Staff expenses	-11,039,670	-12,099,741*	-6,168,030	-6,556,620
Depreciation, amortization, and impairment	-8,819,650	-1,627,791	-2,034,178	-813,896
Other financial income/expenses	-2,245,644	-29,800	-925	-36,675
Profit/loss before tax	-19,752,474	-11,114,252	-6,583,981	-5,502,316
Profit/loss	-19,124,815	-9,679,595	-6,074,227	-4,119,828
Balance sheet				
Cash and cash equivalents	3,091,166	6,401,919	5,292,683	2,532,843
Fixed assets	31,551,697	36,956,284	37,239,169	35,545,802
Total assets	35,969,780	45,372,160	44,601,553	41,234,187
Shareholders' equity	12,384,756	16,382,902	20,211,823	16,484,190
Share capital	6,546,243	1,572,052	4,426,287	1,181,591
Cash flow statement				
Cash flow from operating activities	-13,707,331	-4,025,370	-8,695,323	-4,668,349
Cash flow from Investing activities	-3,513,168	-5,023,742	-2,317,062	-2,799,362
Cash flow from financing activities	13,909,746	5,458,394	9,903,149	7,917
Financial ratios				
Earnings per share**	-0.52	-0.78	-0,30	-0.35
Earnings per share, diluted**	-0.26	-0.77	-0.07	-0.25
Shareholders' equity per share	0.19	1.04	0.47	1.40
Equity ratio***	34.43%	36.11%	45.32%	40.00%
Shares outstanding	65,462,430	15,720,518	44,262,866	11,815,912

* Due to a reclassification, expenses of DKK 589,538 are moved from staff expenses to other external costs that are part of gross profit. See also note 4 on staff expenses.
** For calculation, please refer to note 12.
*** Equity ratio is calculated as shareholders' equity divided by total assets multiplied by 100.

MESSAGE FROM THE CEO

Dear Shareholders and other Stakeholders,

We are aiming to fundamentally improve the way people with dementia are being treated and cared for, and our ambition is three-fold: Enable people with dementia to live better lives, provide cost savings and better use of resources in elderly care, and create a successful and valuable international business. Building on our legacy in technological brain training tools, we have since 2021 been focusing solely on the development of health tech solutions for better dementia management. Now, we have reached the point where our first health tech dementia product will be ready for release and commercial scaling in the United Kingdom (UK) later this year. With the UK being the most receptive and attractive market for our offerings, we have focused our commercial efforts on this market.

Our first dementia product, *CST -Assistant* (formerly referred to as CST-Therapist Companion), allows effective delivery at scale of the world's most recommended non-pharmaceutical dementia therapy, Cognitive Stimulation Therapy (CST). At the same time, the product saves valuable time for therapists and costs for healthcare systems. CST was developed in the UK and is becoming the global gold standard for treating the main symptom of dementia, namely cognitive decline.

Brain+ is building a strong competitive position as the first mover in the market for health tech solutions for dementia therapy. Key competitive assets include our close collaborations with the most influential dementia and CST experts in both the UK, DK, and Germany and our advanced development of a hard-to-copy product, which is developed to overcome the many regulatory and institutional barriers in the healthcare market. Entry into public healthcare takes time, however once in, customers are very loyal.

In 2023, we have worked on extending our collaborations and customer network in our home and test market, Denmark. Based on the release of an initial Danish test version of the CST-Assistant, we have shown relevance and customer demand with the first 6 initial contracts signed, including a contract expansion and a repeat sale. In addition to our sales contracts, we have tested our newly developed and significantly upgraded version of our CST-Assistant with 5 Danish municipalities in a successful Danish usability study conducted with the leading CST-specialist in Denmark. In addition, we partnered with 6 Danish municipalities + care organizations in a grant funded project to implement our solution for better dementia treatment. To this end, the project consortium received DKK 3.5 million, of which almost half is allocated to Brain+. The participation of 5 municipalities in the usability study and the inclusion of 6 municipalities in the grant funded projects are important from a brand awareness and market access point-of-view, however, does not guarantee sales contracts.

During 2023, following the release of v1.0 of the CST-Assistant in Germany, we learned that while supportive reimbursement are in place for health tech products, the German market is less attractive short-term than projected. While the UK was already next on our market roadmap after Germany, we decided in early 2024 to turn our go-to-market efforts entirely on the UK — also to focus our resources and reduce costs. This market has a high health tech readiness, the relevant reimbursement pathway, and, not least, the most expanded CST use, representing attractive conditions for us to reach proof-of-business and commercial scaling the fastest. Together with Quiddity, our experienced and health tech specialized UK commercial partner, we have prepared a tested go-to-market plan, intended to take us to the first UK sales in Q4 2024 and build customer leads for more and bigger contracts in 2025. Building up to our first sales, we plan to have the CST-Assistant certified as a medical device software in Q2 2024 and launch in the UK in Q3 2024. If we can continue to secure funding of our operations and exercise on our plan, we foresee that our UK operations can reach cash flow break-even by the end of 2025 and take the whole company to cash flow break-even from end 2026. This projection stems from our budget and is inherently subject to uncertainty.

The difficult conditions for raising new capital, in particular for non-revenue generating public companies, have slowed us down. However, we have managed to focus and deliver on key promises and keep the momentum towards commercial value inflection. In this light, I sincerely thank everyone who participated in our TO3 warrant based share issue in March. Reaching a 91% coverage of the issue in the current situation is evidence of the strong and loyal support we have from our long-term shareholders. With the proceeds from the TO3 transaction, we have been able to advance our activities to reach two key business milestones, 1) medical device certification and 2) release of the CST-Assistant in Q2 2024.

Our end 2023 cash position combined with the TO3 warrant proceeds is, however, not sufficient to sustain our activities through 2024. Therefore, as communicated at the time of the TO 3 warrant exercise, we need to raise further capital to fund the company's operations, which means fund our UK-focused strategy to reach proof-of-business in 2025 and cash-flow break-even by end 2026.

Following thorough internal considerations and dialogue with advisors, we have announced a new public offering of units as of the date of publication of this Annual Report for 2023. With maximum proceeds from this unit rights issue, increasing sales from the end of 2024, and expected additional UK grants, we believe to be able to bridge the path towards sustained profitability of our business.

Kim Baden-Kristensen
CEO

MANAGEMENT'S COMMENTARY

Primary activities

Brain+ is at the forefront of developing health tech solutions which can be certified as medical software for better dementia management. The company aims to become the leading global dementia health tech provider with a vision to service several million people affected by dementia by 2030.

The company's dementia activities build on its legacy of developing gamified brain training software, its in-house expertise in medical device development and neuroscience combined with a broad international network of collaborations with leading experts in brain functioning and dementia. With a focus on developing health tech solutions for people with dementia which have an outset in validated and recognized analogue methods for diagnosing and preventing cognitive decline, Brain+ has developed three medical software platforms: Software-based Cognitive Stimulation Therapy (CST), Computerized Cognitive Training (CCT) and Starry Night, a software tool for detection of early indications of dementia.

From these health tech platforms, we are developing three specific products and one technology:

- **CST-Assistant (v1.0 commercially available, v2.0 in regulatory phase with expected commercial release in 2024)**: A health tech software product to support scalable and high-quality delivery of group CST via a readily accessible preparation system, content adaptability and a standardized delivery form, which lessens the dependence of CST performance on therapists.
- **CST-Home Care (In late pilot phase development):** Intended for use to extend and scale the delivery of CST to a home setting, enabling broader access to the therapy for a larger dementia population at limited costs.
- **CST/CCT Combination Product:** Tailored for individuals with Mild Cognitive Impairment, combining Cognitive Stimulation Therapy with Computerized Cognitive Training to improve cognitive function and potentially delay the transition to dementia.
- **Starry Night:** A software based test designed to detect early signs of cognitive decline and enable early targeted intervention and treatment.

In late 2022, Brain+ launched the initial commercial version 1.0 of the CST-Assistant to gauge market reception and gather crucial feedback from early adopters. This marked the beginning of Brain+'s shift from solely a development-oriented entity to a comprehensive health tech company, culminating in the creation of an enhanced v2.0 of the product.

As Brain+ broadens its product range to introduce CST into patients' homes, the company remains committed to providing innovative and convenient solutions that enhance patient well-being.

Development in activities

In 2023, Brain+ streamlined and progressed its activities on several fronts while tightly managing costs and optimizing organizational resources to extend the company's financial runway as much as possible given the prevailing challenging funding conditions. In terms of go-to-market and commercialization activities, we began during 2023 to shift focus from Germany to the UK as the main market for scaling of our dementia health tech solutions. The reason was that while Germany is still an attractive market long-term, the level of health tech readiness in the healthcare system and the adoption of CST in the country are still moving slow. On the contrary, the UK represents a much more readily accessible market, as the UK healthcare system already has a high readiness for the adoption and reimbursement of health tech solutions as well as the strongest acknowledgement and recommendation of CST as a relevant dementia therapy both being key components in measuring market attractiveness for our software-based CST products.

Our main operational activities have in the reporting year and into 2024 centered around

- Initial commercial user testing of v1.0 of the CST-Assistant in Denmark and in Germany including establishment of dialogue and interest in our product among Danish municipalities and leading CST educators in both Denmark and Germany;
- Building awareness of the CST-Assistant and our offerings for more effective dementia management and closing initial user sales contracts in Denmark;
- Extension of our network of collaborations with key stakeholders and key opinion leaders (KOLs) in dementia management and the use of Cognitive Stimulation Therapy (CST) primarily in Denmark, Germany and the UK;
- A strengthening and broadening of our CST technology platform to comply with regulatory requirements towards Medical Device certification of our products to support our larger-scale market access plans;
- Development of a substantially upgraded version 2.0 of the CST-Assistant which meets critical requirements for implementation at scale in healthcare system. The CST-Assistant v2.0 offers improved cost effectiveness and scalable high-quality delivery of CST via a readily accessible preparation system, content adaptability and a standardized delivery form, which lessens the dependence of CST performance on therapist experience and leverages the ability of newly educated CST therapists to perform well. The product is developed in close collaboration with users and has been based on feedback from both Danish, German and UK specialist and output from a usability trial conducted in 5 Danish municipalities together with the leading Danish CST expert, Professor Rikke Gregersen.
- Upstart of a grant funded Danish project on the implementation and scaling of our CST-Assistant into dementia management with participation of dementia centers from 6 municipalities. The consortium has been granted a total of DKK 3.5 million. The participation of the 6 municipalities in the project does not constitute sales.
- Establishment of relevant UK health tech and dementia market relations and development a UK go-to-market plan for the CST-Assistant.
- Advancement of the concept for our next in line dementia management product, the CST-Home Care software, including start of development of initial content for the first pro-type planned to be tested in both Denmark and the UK.
- As much as resources have allowed, advancement the ongoing early development of a product concept, CST-MCI, intended to help detect and treat the pre-stage of dementia, referred to as Mild Cognitive Impairment.

Our main news achievements in the reporting year and into 2024 have been the following:

January 2023 – February 2024

- Closed 5 sales contracts on pilot access to use the CST-Assistant v1.0 with four Danish municipalities, including a contract with Copenhagen municipality, initially covering 4 of the municipality's +20 dementia care centers.

Q1 2024

- Started a UK pilot project on the CST-Assistant in partnership with Age UK to get valuable data on product-market fit to instruct the completion of the product for commercialization.
- Signed a contract with Quiddity Health, the #1 UK specialized health tech marketeer and sales partner to prepare and plan the UK market entry for the CST-Assistant.
- Completed the EU funded 'Alzheimer's Detect & Prevent' project with indications of clinical feasibility of two of our dementia software technologies: the 'Starry Night' cognitive test and Computerized Cognitive Training (CCT) for the reduction of mental workload. Both technologies feed into the CST-MCI product in the pipeline.
- Completed the Danish usability trial of a pilot version of v.2.0 of the CST-Assistant with valuable user and

performance data to feed completion of the product.

- Nominated Tim Juergens, an international health tech industry expert and experienced investor profile as new chairman candidate and immediate board observed to engage operationally and advise on funding and business development.

Q4 2023

- Received a CO-PI grant of up to DKK 3.5 million to scale implementation of CST-Assisant into dementia care in Denmark.
- Presented our software-based CST solutions for better dementia management at two key European dementia conferences: the 33rd Alzheimer's Europe conference and INTERDEM, the most important pan-European network of researchers and clinicians disseminating psychosocial interventions in dementia.
- Strengthened the organization, as John Haurum, an experience profile in the European life science business community and the company's largest shareholder, joined to take an operational advisory role on business development.

Q3 2023

- Secured intellectual property rights on key design and user interface elements of the CST-Assistant in the EU and the UK.
- Submitted three new public EU and Danish grant applications comprising a potential total of up to DKK 67 million to develop and scale health tech dementia products. Two of the applications have been rejected, while one has been granted.

Q2 2023

- Showcased the CST-Assistant dementia product at the Danish Dementia Days and at Altenpflege in Germany, Europe's largest elderly care conference.
- Started a collaboration with Malteser Hilfsdienst, one of Germany's major charitable dementia service providers with over 1 million members and sponsors, offering trial access to v1.0 of the CST-Assistant to support the delivery of CST in one of 100 special Malteser dementia cafés, called 'Café Malta'.

Q1 2023

- Participating in EU project consortium "Neurodegenerative Disease Research" covered by a €48,405 to develop a framework for delivering health tech interventions for people with dementia with a focus on two of our main technologies; Cognitive Stimulation Therapy (CST) and Computerized Cognitive Training (CCT).
- Supported by newly published Cochrane review confirming the benefit and relevance of Cognitive Stimulation Therapy (CST) for people with dementia.
- Showcased our health tech products at the Danish-Japanese Welfare and Health Tech Business Conference.
- Received promising early feasibility results on the CCT technology for cognitive training in dementia from a clinical study conducted at Nottingham University.

Development in finances

Brain+ realized a loss in 2023 of DKK -19.1M compared to DKK -9.7M in 2022. The higher accounting loss in 2023 was driven by mainly three elements: 1) interest expenses of DKK 2.2M related to the company's unit rights issue in May 2023: 2) increased amortization on development projects with an additional DKK 22.7M in development projects completed and thus subject for amortization from 2023, and 3) an impairment loss of DKK 4.9M realized on a subset of activated development projects. The impairment loss stems from a reduction in the calculated Net Present Value of revenue from these projects caused by expected project related revenues having been pushed 1-1.5 years and higher equity capital costs for the company stemming from higher risk premiums. The impairment amounts to 13% of the projects' combined book value.

The increased amortization and the impairment loss have no cash flow impact.

Gross profit

- Gross profit for 2023 amounted to DKK 2.4M compared to revised gross profit of DKK 2.6M for 2022.
- Despite initial revenues from sales, the income component of gross profit in 2023 mainly comprises recognized revenue from grant-funded projects and income from activated work for own cost.
- Recognized revenue from grant funded projects was higher in 2023 than in 2022. This was due to the completion in late 2022 of large grant funded projects which resulted in the associated grants starting thereafter to be recognized over a 10-year period after project completion.
- Recognized income from the activation of development work for own cost decreased in 2023 to DKK 3.5M from DKK 5.0M in 2022 as a result of the company having started the transition towards market access and commercialization, which has shifted part of its resources away from development activities.
- Other external expenses included in gross profit were lower in 2023 than in 2022 mainly due to a reduction in external consultancy costs.

Staff expenses

- Staff expenses in 2023 amounted to DKK 11.0M compared to a revised figure of DKK 12.1M for 2022. The reduction in staff expenses is a result of Brain+'s diligent cost control and refocusing of resources.

Cash flow and funding

- Operations in 2023 were funded through proceeds of DKK 13.9M from capital market transactions, including a unit rights issue and a subsequent exercise of TO2 warrants issued as part of the unit rights issue.
- Operational cash flow in 2023 was to a significant extent negatively affected by a multimillion DKK payment to partners in a EU grant funded project, which the company had received for distribution in 2022.
- Net cash flow in 2023 was DKK -3.3M compared to DKK -3.6M in 2022
- End of year cash position is DKK 3.1M in 2023.

Over the past year, Brain+ has sustained a satisfactory financial performance, as costs have been adjusted downwards to match available funding best possibly. Strict measures have been implemented to manage costs effectively, channeling finances into activities poised for short-term revenue generation.

The end of year cash position combined with the proceeds from the TO3 warrant exercise is not sufficient to sustain the activities throughout 2024. To uphold the commercialization initiatives and secure operations, the company has launched a plan that shall secure necessary capital for 2024 and into 2025 where commercialization activities in the UK are expected to start generating meaningful revenue. Refer to the section on financial outlook and note 1.

Significant uncertainties in recognition and measurement of development costs

Brain+' development projects are naturally linked to uncertainty as some of the development activities are not yet completed. Management has estimated that each development project has a potential that exceeds the capitalized development costs. The calculation method for the Company's development projects consists of time registrations as well as discretionary allocation of costs. The method is estimated to give a reliable calculation of costs, although the accounting estimates are subject to some uncertainty.

In 2023, the intangible assets were subject to a write down of DKK 4.9 million. Management found the write down dilligent to ensure that the book value of our intangible asssets most correctly reflect their expected present value in the current environment. Despite the write down, there remains inherent uncertainty regarding the value of the intangible assets. This uncertainty could imply that the assets are either undervalued or overvalued. Refer to note 2 for details.

Events after the balance sheet date

New CFO and nomination of new chairman candidate

In January 2024, Brain+ appointed Hanne Vissing Leth (formerly Hanne Leth Hillman) as new CFO of the company. Hanne had served as interim CFO since May 2023 and prior to that been member of the board of directors since June 2021.

In February 2024, the Board of Directors nominated Tim Juergens as new board member and chairman candidate. Tim will be up for election at the company's Annual General Meeting on May 22, 2024, and is intended thereafter to take over the position as chairman after Johan Luthman, who is acting as interim chairman in the transition period from January 31, 2024, when former chairman Anders Härfstrand stepped down, and until the Annual General Meeting. Tim is a strong believer in the potential of health tech solutions and he brings to Brain+ 20-years of experience from leading roles in big pharma companies, Bayer and Roche, with key competences in general management, business development, sales effectiveness, market access and validation, as well as a strong private equity investor network. Immediately upon his nomination, Tim Juergens joined the Board of Directors as an active observer and started to engage operationally with the management team to prepare for his intended role as chairman, assisting also with fundraising and strategic development.

TO 3 warrants exercise

In March 2024, the Board of Directors decided to eliminate the previously announced minimum and maximum exercise price levels for the exercise of warrants of series TO 3, which were issued as part of Brain+' unit rights issue in May 2023. The decision was to provide holders of the TO 3 warrants with the option of subscribing new shares at a 30% discount to the existing share price. With the amendment, the exercise price for the warrants of series TO 3 was set at DKK 0.11 per new share subscribed, representing a 33% discount to the closing price of the Company's shares on 6th March 2024.

The subsequent exercise period for the TO 3 warrants resulted in a 91% subscription coverage. 64% of the warrants were exercised for a subscription of 18,198,975 new shares in Brain+ and a further 27% of the issue was covered by guarantor commitments from board (including observer), management and larger shareholders. To cover the guarantor commitments, the board of directors in Brain+ in March increased the company's share capital through a directed issue of 7,787,874 new shares at the exercise price of DKK 0.11 per share. The TO 3 warrant subscription provided Brain+ with DKK 2.9 million in gross proceeds, corresponding to approximately DKK 2.45 million after transaction costs.

New unit rights issue

As a result of challenging capital market conditions and higher risk premiums for early stage commercial health tech companies, the development in the company's share price has been negative through 2023 and into 2024.

Consequently, proceeds to Brain+ from the exercise of the company's TO 2 warrants in October 2023 and TO 3 warrants in March 2024 have been significantly lower than forecasted at the time of the unit issue in May 2023.

Despite diligent actions by management to reduce cost to a minimum and still retain business momentum, Brain+ announced in connection with the outcome of the TO 3 warrant exercise that the company was working on options to secure further external funding in 2024. This has, on the date of this report, led to the decision by the Board of Directors to carry out a unit rights offering in June with pre-emptive rights for existing shareholders and pending approval at the company's Annual General Meeting on 22 May 2024. The offering comprises a maximum of 111,771,341 new shares to be subscribed at a price of DKK 0.08 per share and the issue of 91,449,279 warrants of series TO 4 to be exercisable in the last half of September 2024 at a 30% discount to the market price of the company's existing shares, however capped between DKK 0.08 and DKK 0.10. The terms of the offering have been determined based on the current market conditions for raising new equity capital to growth companies and with the objective to attract investor interest and increase the likelihood of a successful outcome.

Since the intended subscription price of the new shares is below the current nominal value of the company's shares, Brain+ has as part of the decision to carry out the unit rights issue, proposed a 20% reduction in the company's share capital to decrease the nominal value of its shares from DKK 0.10 per share to DKK 0.08 per share. The decision will be up for adoption at the Annual General Meeting. On the date of this report, the unit rights issue is 60% covered by pre-subscriptions and guarantees, which will secure the company a minimum of DKK 3.3 million in net proceeds, pending adoption of the issue and of the reduction in share capital at the Annual General Meeting. At the 60% secured level for the unit rights issue, a 60% exercise of the TO 4 warrants in September will provide Brain+ with additional DKK 2.2 million in net proceeds, sufficient to fund the company's operations through 2024.

At full subscription of both the unit rights and the TO 4 warrants at the highest price of DKK 0.10, Brain+ will receive total net proceeds from the issue of DKK 15.1 million. This amount is expected to be sufficient to fund the company's operational activities into April 2026 according to our projections. These projections build on our budget and are subject to uncertainty. The materialization of our budget projections hinges on our capacity to generate sales in the UK and broaden our presence in the Danish market.

Outlook for 2024

Business strategy and operations

In the beginning of 2024, we launched a dedicated proof-of-business strategy plan for 2024-2025 focused on the United Kingdom (UK). The background was a need to reduce costs due to tough funding conditions and concentrate our resources on activities with the shortest outlook to proof-of-business and meaningful revenues. In parallel, it became clear to us during 2023 that the UK represents the most attractive and accessible market for our health tech solutions for better dementia management. In the UK, about 1 million people are living with dementia and annual dementia related healthcare costs amount to €40 billion. Further, the UK has the highest health tech readiness level in Europe, clear reimbursement pathways for medical software - and well-established acknowledgement of the benefits of the CST method, which is also part of the national guidelines for dementia treatment.

Following the change in commercial focus, we have accelerated the development of a UK adapted version of the CST-Assistant (formerly referred to as CST-Therapist Companion) and in February 2024, we partnered with Quiddity Health, a UK health tech specialist go-to-market and sales company. Quiddity has a proven track-record of successfully introducing new health tech solutions to the UK National Health System (NHS) and taking them to commercial scale. Building also on a strong network of dementia and CST specialist contacts in the UK, we have together with Quiddity and regulatory advisors prepared a tested go-to-market plan, which shall open sales to the UK NHS system of trusts and regional units, starting with the CST-Assistant as our first commercial product.

As part of the UK go-to-market plan, we started a usability trial in March in partnership with AgeUK to evaluate the benefits of using the upgraded v2.0 of our CST-Assistant to support UK CST therapists in the preparation and conduct of CST group sessions. The trial will generate valuable data to support a Medical Device (Software) certification of the CST-Assistant in both the EU and UK, expectedly in Q2 and provide data input also to support a later filing for reimbursement. The medical device software certification is something we have worked towards the last couple of years, and a major value inflection, in terms of medical claims, health economics value and thus reimbursement value and price value, differentiation, trust and more. With stronger claims, we can get better reimbursement increasing revenues.

The next important milestones and value inflections will be the launch of a final v2.0 of the CST-Assistant in the UK as a Medical Device in Q3. This will be a key starting point for commercial outreach and building a pipeline of NHS commercial leads. We expect to close the first smaller UK sales contract(s) in Q4 and to see a scaling into more and bigger contracts into 2025.

In our home market in Denmark, we will also release a v2.0 of the CST-Assistant and expect this to lead to new sales contracts. We will continue to build on our established contact network in the Danish municipalities and the grant funded implementation project, where we are working with 6 municipalities to use the CST-Assistant to enable scaled high-quality delivery of CST to more people with dementia. In Germany we will allocate a minimum of resources, however continue to work with the primary CST Key Opinion Leaders to have the CST-Assistant implemented into the education of CST therapists for easier adoption of the therapeutic method.

Dependent on the outcome of our unit rights issue in June and of the TO 4 warrant exercise in October, we will upscale our development activities with a focus on the next product in our pipeline, CST-Home Care. This product is intended to support virtual CST and extended therapeutic CST offerings in the homes of people with dementia, holding the potential to enhance the clinical effects of CST and open a significantly larger market than the CST-Assistant.

Financial outlook

On December 31, 2023, Brain+ had cash and cash equivalents of DKK 3.1 million. Together with net proceeds of DKK 2.5 million raised in March 2024 through a 91% exercise of the company's TO 3 warrants, this provides financial runway for the company into June 2024. Therefore, further funding is necessary to secure operations throughout the remaining part of 2024.

In 2024, Brain+ forecast a total net result of between DKK -15 and DKK -12 million, which is an expected 33% reduction, compared with the realized net result in 2023 of DKK -19.1 million. The company's average monthly operational cash flow for the rest of the year is forecast at a level of DKK 0.9 million corresponding to a funding gap in 2024 of DKK 5.4 million from June.

To close the funding gap, the company's Board of Directors on the date of publication of this report has announced the decision to carry out a unit rights issue in June 2024, pending approval at the Annual General Meeting on 22 May 2024. The unit offering includes new shares and warrants of series TO 4 and is secured to 60% through pre-subscriptions and guarantees. The secured level will ensure a minimum of DKK 3.4 million in net proceeds to Brain+, sufficient to fund the company into October 2024. The TO 4 warrants will be exercisable in the last two weeks of September to provide additional funding to the company from October onwards. At the 60% secured coverage of the unit issue, a 55% exercise of the TO 4 warrants will provide an additional DKK 2.0 million in net proceeds to fund the company into 2025.

At a potential 84% subscription of the units, net proceeds to Brain+ will amount to DKK 5.4 million, sufficient to fund the company into 2025 without counting proceeds from the TO 4 warrant exercise. In a scenario of full subscription of the units and subsequent full exercise of the TO 4 warrants, total potential net proceeds to Brain+ will amount to DKK 15.2 million. This would be sufficient to fund the company to end April 2026. Reference is made to note 1 for further information about the material uncertainty related to going concern and the necessary measures which are needed to secure financial resources to continue operations throughout 2024.

In parallel with the unit rights issue, outreach and dialogue are ongoing to engage strategic investors and explore new funding avenues, including options in the private equity market. In addition, Brain+ has identified several options to apply for public and private grants to support funding from investors. While associated with significant uncertainty, the company's management projects that its planned operations will lead to monthly cash-flow break-even of the company's UK operations from end 2025 as the outset from reaching corporate cash-flow break-even from end 2026.

The materialization of our break-even projection hinges on our ability to deliver on our sales expectations in Denmark and in particular the UK. Although our stringent cost control measures enable us to forecast operational expenses fairly accurately, our influence over product adoption in target markets, and thus our revenue projections, is comparatively limited. This results in increased revenue uncertainty. Consequently, we conduct scenario analyses and seek external validation of our revenue forecasts to mitigate uncertainty to the greatest extent possible.

Management

KIM BADEN-KRISTENSEN

Co-founder & CEO
Former Vice President of Marketing & Strategy @ world's largest wind energy co.
5 years @ Boston Consulting Group.
M.Sc. Management of Technology, CBS.
Cognitive Psychology studies, UCPH.
Healthcare Innovation degree HARVARD Business School (Pasteur Program).

SIMON NIELSEN

Chief Science & Innovation Officer
12 years of experience as a biomedical engineer.
Senior scientist & team mgr. at Coloplast.
Postdoc, Cognitive Neuroscience, UCPH.
PhD. Psychophysics DTU.

HANNE VISSING LETH

Chief Financial Officer
Experienced life science executive focused on finance, communications and investor relations (IR). Former Jyske Bank, Gudme Raaschou, NeuroSearch and Zealand Pharma.

Board of directors

PER JOHAN LUTHMAN

Board member since 2022, interim chairman since February 2024
Executive Vice President and Head of R&D at Lundbeck with extensive experience in neuroscience R&D, incl. successful engagement in the development of dementia treatments from his former positions as Senior Leader of Neuroscience R&D at Serono, Merck and Eisai.

ANISH SHINDORE CHOUKSEY

Board member since 2023
Founder and Managing Partner at GSD Health and Board Member at Hedia, with expertise in developing technological health solutions by identifying care system gaps and leveraging technology to establish new care standards.

TIM JUERGENS

Board observer since February 2024
Co-Founder of SeedLink SL, with a venture capital and private equity background, devoted to innovating in health care, and serving as Hedia's non-executive Chairman.

Risk factors

Brain+ has identified the most significant risk factors ranked according to their importance, the probability of occurrence, and potential impact. These risk factors are illustrated in the graphic below.

Financing

Since its launch, Brain+ has achieved limited revenue and remains in a development phase with ongoing R&D projects. The company launched its first product in November 2022 and secured its first commercial contract the following month. However, the market adoption necessary to cover operating costs remains subject to risk. There is a risk that Brain+ will not generate sufficient revenue or cash flow to sustain its operations and investments in the future. Inadequate financing could compromise its competitiveness and financial health, and the current liquidity position poses an operational threat if not further funding is obtained (refer to note 1). Product development success, market acceptance, securing grants, and potential strategic investments will affect the company's future capital needs.

Market adoption

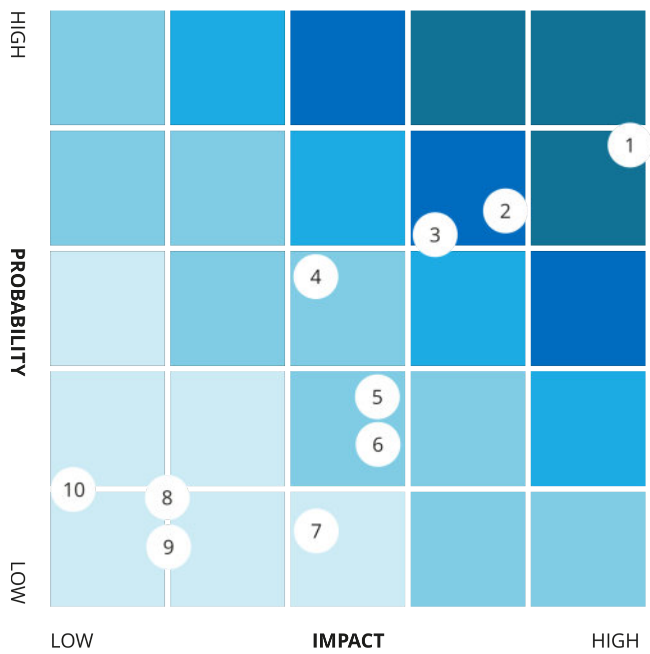
The acceptance and utilization of health tech dementia solutions depend on several factors, including the healthcare system, prescribers, and patients' readiness or reluctance to adopt health tech solutions. Brain+ operates in areas predominantly involving elderly patients and caregivers who may lack technological proficiency, which could create difficulties in utilizing and comprehending health tech solutions. These challenges can result in slower-than-anticipated market acceptance and achievement of sales targets.

Clinical development programs

The progress and commercial success of Brain+ products hinges on achieving positive outcomes in scientific and clinical trials, which are currently in preliminary phases and include feasibility studies and proof of concept. Given the highly innovative nature of Brain+ health tech dementia products, there is a significant inherent risk that these trials might not conclude successfully or deliver anticipated results. Additionally, there is a possibility of trial delays due to third parties and subcontractors.

Barriers & risks

	Impact	Probability
1. Financing	5	4
2. Market adoption	4	4
3. Clinical development	4	4
4. Medical device regulations ("MDR")	3	3
5. Loss of key staff	3	2
6. Competition	3	2
7. Intellectual property infringement	3	1
8. Product liability	1	1
9. Political risk	1	1
10. Currency risk	1	1



MANAGEMENT'S STATEMENT

Today, the Executive Board and Board of Directors have considered and adopted the Annual Report of BRAIN+ A/S for the financial year January 1st 2023 - December 31st 2023.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Company at December 31st 2023 and of the results of the Company's operations and cash flow for the financial year January 1st 2023 - December 31st 2023.

In our opinion, the Management Commentary includes a true and fair account of the matters addressed therein.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, May 7th 2024

Executive Board

Kim Baden-Kristensen
CEO

Board of Directors

Per Johan Luthman

Anish Shindore Chouksey

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BRAIN+ A/S

Opinion

We have audited the financial statements of BRAIN+ A/S for the financial year January 1st 2023 - December 31st 2023, which comprise the income statement, balance sheet, statement of changes in equity, cash flow and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at December 31st 2023 and of the results of its operations and cash flows for the financial year January 1st 2023 - December 31st 2023 in accordance with the Danish Financial Statements Act.

Basis of opinion

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

Material uncertainty related to going concern

At the time of the annual report's publication, the company's liquidity extends until early-mid June 2024, after which the company has insufficient cash for the remainder of 2024. Therefore, a prerequisite for the company's continued operations is that the planned public unit rights issue to be carried out in June 2024 is successful in ensuring sufficient capital for continued operations. To this end, management has negotiated with investors regarding commitment on subscription of new shares and warrants including a bridge loan to be paid out immediately after the AGM in May 2024.

We draw attention to the fact that the company's continued operation is dependent on the planned capital increase and that sufficient liquidity here from is generated. It is management's expectation that the liquidity budget for 2024 will be met and the necessary capital can be secured.

Therefore, the financial statements have been prepared on a going concern basis. We refer to the description in Note 1, where the matter and the significant uncertainty regarding the going concern are described.

We have not found a basis for a different assessment, and the matter has therefore not resulted in a modification to our conclusion.

Management’s responsibility for the financial statements

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

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

Auditor’s responsibility for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management's commentary

Management is responsible for the management commentary. Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

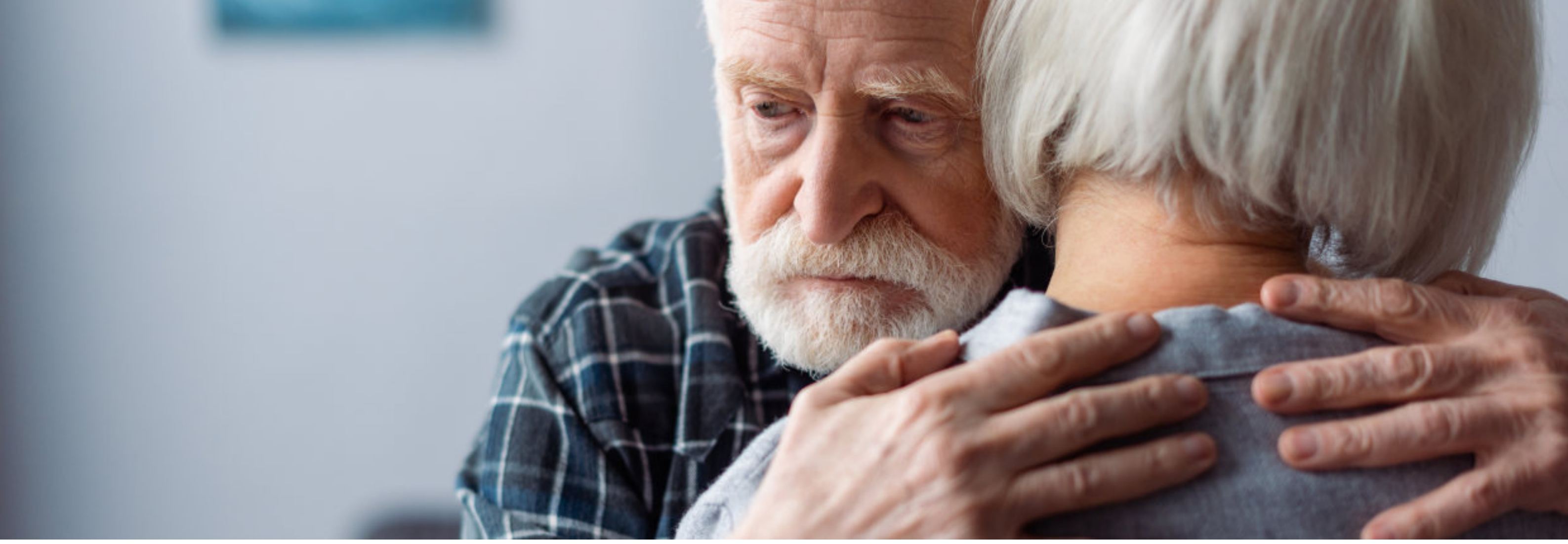
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, May 7th 2024

Deloitte Statsautoriseret Revisionspartnerselskab CVR No. 33963556

Mads Fauerskov
State Authorised Public Accountant
mne35428

Jens Lauridsen
State Authorised Public Accountant
mne34323



COMPANY DETAILS

Company	**BRAIN+ A/S** Købmagergade 53, 3, 1150 København K CVR No. 36439440 Date of formation November 19th 2014 Registered office Copenhagen
Board of Directors	Anish Shindore Chouksey Per Johan Luthman
Executive board	Kim Baden-Kristensen, CEO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Værkmestergade 2 8000 Aarhus C CVR No.: 33963556
Annual General Meeting	The Annual General Meeting is held on May 22, 2024.
Published	The Annual Report 2023 is available for download on our website, www.brain-plus.com from May 7, 2024. Following the Annual General Meeting it will be registered with the Danish Business Authority (Erhvervsstyrelsen).

ACCOUNTING POLICIES

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year, with the exception of a few reclassifications. The reclassifications did not result in any change to profit/loss or equity.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Balance sheet items are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Public grants

Public grants are recognized when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognized as income in the income statement as earned. Grants awarded for the acquisition of assets are recognized as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Income statement

Gross profit/loss
In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue. Gross profit or loss comprises revenue, own work capitalized, other operating income, cost of sales and external expenses.

Revenue
Revenue from the sale of software and licenses is recognized in the income statement on a straight line basis over the license period.

Own work capitalized
Own work capitalized comprises staff costs and indirect allocated costs incurred in the financial year and recognized in cost for intangible assets.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

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

Depreciation, amortization and impairment losses
Depreciation, amortization and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortization and impairment losses for the financial year.

Other financial income
Other financial income comprises interest income and net capital gains on payables and transactions in foreign currencies.

Other financial expenses
Other financial expenses comprise interest expenses, exchange losses on payables and transactions in foreign currencies, amortization of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

Balance sheet

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortization period used is 10 years.

Intangibles are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

The basis of depreciation is cost less estimated residual value after the end of the useful life. Straight-line depreciation is made on the basis of a 5 year estimated useful life. Estimated useful lives and residual values are reassessed annually.

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

The recoverable amount of an asset is determined as the higher of the net sales price and the value in use. Where the recoverable amount of the individual assets cannot be determined, the assets are grouped together into the smallest group of assets that can be estimated to determine an aggregate reliable recoverable amount for those units.

Receivables
Receivables are measured at amortized cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognized on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

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

Cash
Cash comprises bank deposits.

Operating leases
Lease payments on operating leases are recognized on a straight-line basis in the income statement over the term of the lease.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the software agreed or completion of the service agreed.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost. Deferred income to be recognized as income within one year of the balance sheet date is presented as short term deferred income, while the residual is presented as long term deferred income.

Cash flow statement

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

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

Cash flows from investing activities comprise payments in connection with purchase and development of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash.

INCOME STATEMENT

DKK	Note	2023	2022	
Gross profit	3	**2,352,491**	**2,643,080**	*
Staff expenses	4	-11,039,670	-12,099,741	*
Depreciation, amortization and impairment losses of intangible and tangible fixed assets	5	-8,819,650	-1,627,791	
Profit/loss from operating activities		**-17,506,830**	**-11,084,452**	
Other financial income		20,236	17,221	
Other financal expenses		-2,265,880	-47,021	
Profit/loss before tax		**-19,752,474**	**-11,114,252**	
Tax for the year	6	627,659	1,434,657	
Profit/loss		**-19,124,815**	**-9,679,595**	
Distribution of profit/loss to retained earnings		**-19,124,815**	**-9,679,595**	

*Due to a reclassification, expenses of DKK 589,538 are moved from staff expenses to other external costs that are part of gross profit. See also note 4 on staff expenses.

BALANCE SHEET AS OF 31 DECEMBER 2023

DKK	Note	2023	2022
Asset			
Completed development projects	7	26,720,529	32,283,280
Development projects in progress	8	4,831,168	4,561,457
Intangible assets	**9**	**31,551,697**	**36,844,737**
Fixtures, fittings, tools and equipment	10	0	111,547
Property, plant and equipment		**0**	**111,547**
Fixed assets		**31,551,697**	**36,956,284**
Accounts receivable		31,249	22,250
Short-term tax receivables	11	627,659	977,359
Other short-term receivables		318,330	691,202
Prepayments		349,679	323,145
Receivables		**1,326,916**	**2,013,956**
Cash and cash equivalents		**3,091,166**	**6,401,919**
Current assets		**4,418,083**	**8,415,875**
Assets		**35,969,780**	**45,372,160**

DKK	Note	2023	2022
Liabilities and equity			
Contributed capital	12	6,546,243	1,572,052
Reserve for development expenditure		24,610,324	28,738,895
Retained earnings		-18,771,811	-13,928,045
Equity		**12,384,756**	**16,382,902**
Other payables		594,000	545,788
Deferred income, long term liabilities	14	18,690,895	21,352,937
Long-term liabilities other than provisions	**15**	**19,284,895**	**21,898,725**
Prepayments received from customers		79,928	0
Trade payables		1,086,254	870,751
Other payables		471,904	3,484,296
Deferred income, short term liabilities	14	2,662,042	2,735,486
Short-term liabilities other than provisions		**4,300,129**	**7,090,533**
Liabilities other than provisions within the business		**23,585,024**	**28,989,258**
Liabilities and equity		**35,969,780**	**45,372,160**
Contingent liabilities	16		
Warrants	17		

STATEMENT OF CHANGES IN EQUITY

2023

DKK	Contributed capital	Share premium	Developmen expenditure	Retained earnings	Total
Equity 1 January 2023	1,572,052	0	28,738,895	-13,928,045	16,382,902
Increase of capital	3,993,882	9,615,660	0	0	13,609,543
Increase of capital by conversion of debt	980,309	3,921,235	0	0	4,901,544
Cost related to increase of capital	0	0	0	-3,384,417	-3,384,417
Transferred from share premium	0	-13,536,896	0	13,536,896	0
Transfer to reserves	0	0	-4,128,57	4,128,57	0
Profit/loss for the year	0	0		-19,124,815	-19,124,815
Equity 31 December 2023	**6,546,243**	**0**	**24,610,324**	**-18,771,811**	**12,384,756**

2022

DKK	Contributed capital	Share premium	Developmen expenditure	Retained earnings	Total
Equity 1 January 2022	1,181,591	0	26,064,264	-6,641,837	20,604,018
Increase of capital	390,461	6,005,284	0	0	6,395,745
Cost related to increase of capital	0	0	0	-937,264	-937,264
Transferred from share premium	0	-6,005,284	0	6,005,284	0
Transfer to reserves	0	0	2,674,630	-2,674,630	0
Profit/loss for the year	0	0		-9,679,595	-9,679,595
Equity 31 December 2022	**1,572,052**	**0**	**28,738,895**	**-13,928,045**	**16,382,902**

The share capital has developed as follows:					
	2023	**2022**	**2021**	**2020**	**2019**
Balance at the beginning of the year	1,572,052	1,181,591	95,830	95,830	95,830
Addition during the year	4,974,191	390,461	1,085,761	0	0
Balance at the end of the year	**6,546,243**	**1,572,052**	**1,181,591**	**95,830**	**95,830**

CASH FLOW STATEMENT

DKK	2023	2022
Profit/loss	**-19,124,815**	**-9,679,595**
Depreciation, amortization, and impairment losses	8,819,650	1,627,791
Adjustment of loss on disposals	98,104	0
Adjustments of tax receivables	-627,659	-977,359
Adjustments for deferred tax	0	-457,298
Decrease (increase) in receivables	1,180,691	2,204,547
Increase (decrease) in liabilities	-5,270,227	3,256,544
Financial interest noncash	1,216,924	0
Cash flows from operating activities	**-13,707,331**	**-4,025,370**
Purchase of intangible assets	-3,513,168	-5,023,742
Purchase of property, plant and equipment	0	0
Cash flows from investing activities	**-3,513,168**	**-5,023,742**
Cash capital increase	17,294,163	6,395,745
Cost related to increase of capital	-3,384,417	-937,264
Other components of cash flows from financing activities	0	-87
Cash flows from financing activities	**13,909,746**	**5,458,394**
Net increase (decrease) in cash and cash equivalents	**-3,310,753**	**-3,590,719**
Cash and cash equivalents, beginning balance	6,401,919	9,992,638
Cash and cash equivalents, ending balance	**3,091,166**	**6,401,919**

NOTES

1. Going concern

Brain+ has liquidity until early-mid June 2024 and is dependent on the successful completion of its announced Unit Rights Issue planned to raise new capital in June 2024. At the publication of the annual report, the company has secured a 60% pre-committed coverage of the issue, and based on this and the considerations in the below, management believes that it will be successful in obtaining the necessary funding for 2024 and has therefore submitted the annual report based on continued operations.

On December 31, 2023, Brain+' had cash and cash equivalents of DKK 3.1 million. An additional DKK 2.5 million in net proceeds were raised in March 2024 through a 91% subscription on warrants of series TO 3.

Even if Brain+ has delivered on most of the business milestones projected at the time of the unit rights issue in 2023, the development in the company's share price has been negative through 2023 and into 2024. The proceeds to the company from the TO 3 warrant subscriptions were therefore significantly lower than forecasted despite the high subscription rate. Considering this, management already in early 2024 took initiatives to reduce costs and cash outflow as much as possible while keeping a focused business momentum for continued growth. Despite diligent cost and cash control, available cash and cash equivalents at the time of this report are sufficient only to fund the company until early to mid-June. The cash flow forecast shows a funding gap for 2024 of approximately DKK 5.4 million based on the current business outlook.

To close the funding gap and secure the continued development of its activities through 2024 and into 2025, Brain+ on the date of the publication of this annual report has announced the decision to carry out a pre-emptive unit rights issue in June 2024, subject to approval at the Annual General Meeting on May 22, 2024. The unit rights issue can provide the company with up to DKK 8.9 million in new capital, corresponding to maximum net proceeds of up to DKK 6.8 million (after transaction cost). Included in the unit rights issue are warrants of series TO 4, which will be exercisable on 16 - 27 September 2024 at a price between DKK 0.08-0.10 per share. Full exercise of the TO 4 warrants at the highest exercise price of DKK 0.10 can provide the company with up to DKK 8.4 million in additional net proceeds. In a full subscription scenario for both the unit rights issue and the TO 4 warrants, total funding to the company will thus amount to DKK 15.2 million, sufficient to finance the company's operations until April 2026. Considering the current capital market conditions, this full subscription funding scenario is associated with very high uncertainty.

The unit rights issue is 60% secured by pre-commitments from members of the board and management, and larger shareholders as well as by commitments from guarantors, which will provide a minimum of DKK 3.4 million in net proceeds to Brain+. This includes DKK 1.80 million from a bridge loan which will be paid out in May pending approval of the unit rights issue at the AGM. These secured proceeds from the offering are sufficient to fund the company until receipt of proceeds from the TO 4 warrant exercise in September 2024. At the secured 60% subscription of units, a subsequent 55% exercise of the TO 4 warrants at the lowest exercise price of DKK 0.08 per share will provide the company with an additional DKK 2.0 million in net proceeds to secure full funding of the current gab for 2024. Average exercise for the company's previous warrants of series TO 1, TO 2 and TO 3 has been 82%.

At a final subscription rate of 84% in the unit rights issue, Brain+ will receive net proceeds of DKK 5.4 million in June. This outcome scenario can sufficiently close the company's current 2024 funding gap without counting proceeds from the TO 4 warrant exercise.

In parallel with the unit rights issue, Brain+ is continuously working to identify and entertain dialogue with strategic investors, including private equity market investors, with specific dementia market and health tech focus and interest. Further funding options include new public and private funded grants, which the company has a strong history of successfully applying for. Should elements of future projected revenue and capital inflow turn out below expectations, the company's management also sees options of further cost reductions to match available funds.

Based on the above, it is the management's belief that the company will obtain sufficient funds to continue operations throughout 2024, and consequently the annual report has been prepared on the assumption of going concern. There is however uncertainty related to this assessment, as described in the paragraphs above.

2. Uncertainty relating to recognition and measurement

Brain+ recognizes costs associated with development projects as intangible assets on its balance sheet. Such projects should be directly related to defined and identifiable products and processes intended for commercialization, and for which the technical rate of utilization, the adequate resources and potential future market or development opportunities can be established.

To certify that the recognized value of such assets can be justified, the company conducts annual impairment tests based on the NPV of forecasted future revenue from such projects. These tests are associated with uncertainties and the company therefore applies a conservative approach to both the revenue forecasting and the calculation of NPV.

In connection with the impairment testing of recognized project value as of 31 December 2023, part of the project attributable cash flows was pushed beyond our 5-year NPV horizon because of restrained resources having extended the time to expected product commercialization. Since, with our cautious approach, we exclude terminal value from our NPV, the extension in time to cash flow has resulted in a lower project NPV calculation.

In addition, Management has decided this year to use a discount rate (WACC) of 22% on future cash flows which is more than double the rate used last year, reflective of a considerable increase in investor risk premiums and cost of capital for publicly listed growth companies in pre- to early commercialization phase. The level of WACC is a material assumption in the impairment testing together with the forecasted DKK 47 million NPV of projected project revenues through 2028.

Based on the above, Management believes that a write down of DKK 4.9 million in asset value is diligent to ensure the book value of our intangible assets most correctly reflect the present value in the current environment. The impairment need is not indicative of a waning belief in the future economic benefits of our intangible assets, but rather a consequence of the extended timeline for realizing these benefits and high current capital costs. Despite the write down, there remains inherent uncertainty regarding the carrying amount of the intangible assets. This uncertainty could imply that the assets are either undervalued or overvalued and necessitate further impairment in future years.

3. Gross profit

The following items are recognized as part of gross profit:

DKK	2023	2022
Public grants	2,537,175	1,468,474
Work for own cost	3,513,168	5,023,742
Other operating income	214,510	671,677

The above table does not include revenue, cost of sales, and other external expenses.

4. Staff expenses

DKK	2023	2022	
Wages and salaries	10,143,147	10,951,195	
Pension	785,799	1,025,758	
Social security contributions	110,724	122,788	
Other employee expenses	0	0	*
	11,039,670	**12,099,741**	
Average number of employees (FTE)	**13**	**16**	

Salaries transferred to the balance sheet under development projects are DKK 3,038,636 (2022: DKK 4,438,785). The amounts presented in this note reflect gross amounts and capitalized costs are therefore not subtracted.

* An amount of DKK 589,538 for the year 2022 is reclassified from other employee expenses to other external costs which are part of gross profit, while DKK 50,000 is reclassified to wages and salaries.

5. Depreciation of equipment and intangible assets recognized in profit or loss

DKK	2023	2022
Amortization of completed development projects	3,921,108	1,594,729
Impairment of intangible assets	4,885,100	0
Plant/machinery depreciation	13,443	33,062
	8,819,650	**1,627,791**

6. Tax income

DKK	2023	2022
Corporate tax, current	627,659	977,359
Deferred tax, adjustment	0	457,298
	627,659	**1,434,657**

Current tax relates to the use of the tax credit scheme defined in the Danish Tax Assessment Act § 8X for research and development costs. For further see Note 11.

7. Completed development projects

DKK	2023	2022
Cost at the beginning of the year	40,703,935	17,989,027
Transfers during year	2,195,523	22,714,908
Cost at the end of the year	**42,899,458**	**40,703,935**
Amortization at the beginning of the year	-8,420,654	-6,825,926
Amortization for the year	-3,921,108	-1,594,729
Impairment of completed development projects	-3,837,167	0
Amortization at the end of the year	**-16,178,929**	**-8,420,654**
Carrying amount at the end of the year	**26,720,529**	**32,283,280**

Transfer is made in September 2023 and amortization on the transferred amounts is initiated from October 2023 over a 10-year straight line.

8. Development projects in progress

DKK	2023	2022
Cost at the beginning of the year	4,561,457	22,252,623
Addition during the year	3,513,168	5,023,742
Transfers during the year	-2,195,523	-22,714,908
Cost at the end of the year	**5,879,101**	**4,561,457**
Impairment at the beginning of the year	0	0
Impairment of development projects in progress	-1,047,933	0
Impairment at the end of the year	**-1,047,933**	**0**
Carrying amount at the end of the year	**4,831,168**	**4,561,457**

9. Development projects special prerequisites

Brain+ A/S develops pioneering products for the early detection and treatment of dementia in collaboration with scientific partners. As we continue to develop our product portfolio, the balance sheet reflects investments made in our software and knowledge base, conditional on our anticipation of the future economic benefits derived from these assets. We are fully committed to the completion of all initiatives in the pipeline and trust our track record shows capacity to execute and internalize the value creation of the consortium projects in which we are engaged. For this purpose, we have raised the necessary capital through grants and capital issuances to secure the completion of the projects. With completed development projects and a promising diversified pipeline, we see great commercial potential in different go-to-market approaches, and especially our close ties to the scientific community made us capable of developing unique intangible assets and a competitive market position. As demonstrated by the growing societal burden of dementia and the support from our external parties, we are addressing a market with enormous demand.

Our portfolio comprises a range of both medical and non-medical solutions, that ensure commercial, competitiveness, and regulatory risks are mitigated even in the event of negative clinical trial results or commercialization challenges.

The Company’s development projects are naturally linked to uncertainty as some of the development activities are not yet completed. Management has estimated that each development project has a potential that exceeds the capitalized development costs. The calculation method for the Company's development projects consists of time registrations as well as discretionary allocation of costs. The method is estimated to give a reliable calculation of costs, although the accounting estimates are subject to some uncertainty.

As of 31 December 2023, the Company has three ongoing development projects that are capitalized in our balance. The first development project relates to the development of our technologies Starry Night and CCT. The second project relates to the development of our CST-Assistant suite, while the third project relates to the maturation of CST Home Care. All projects are expected to support our product pipeline with the latest project expected to be completed in 2027.

Management sees no impairment issues regarding development projects beyond what has been recognized this years. Depending on the continued development and commercial success of the development projects, there continues to exist an uncertainty which can lead to an impairment in future years.

10. Fixtures, fittings, tools and equipment

DKK	2023	2022
Cost at the beginning of the year	191,854	191,854
Addition during the year	0	0
Disposals during the year	-125,240	0
Cost at the end of the year	**66,614**	**191,854**
Depreciation at the beginning of the year	-80,306	-47,244
Depreciation for the year	-13,443	-33,062
Depreciation disposals for the year	27,135	0
Depreciation at the end of the year	**-66,614**	**-80,307**
Carrying amount at the end of the year	**0**	**111,547**

11. Short-term tax receivable

The outstanding tax receivable included in the balance sheet relates to the use of the tax credit scheme under section 8X of the Danish Tax Assessment Act, whereby the company receives payment for the tax value of losses resulting from research and development expenses. Based on the review of the criteria for using the scheme, it is management's clear understanding that the company is eligible to use the scheme, and the recognition has been made based on this assessment. There is a risk that the Danish Tax Authority may determine that the conditions for using the scheme have not been met. If so, subsequent financial years will be negatively affected by the reduction of the outstanding corporate tax receivable through "Tax for the year" in the statement of profit or loss.

12. Earnings per share

DKK	Note	2023	2022
The calculation of earnings per share is based on			
Profit/(loss) for the period		-19,124,815	-9,679,595
Number of shares			
Beginning of the year		15,720,518	11,815,912
Capital increase		18,739,260	3,904,606
Capital increase		8,843,088	0
Capital increase		960,000	0
Capital increase		21,199,564	0
Number of shares total		**65,462,430**	**15,720,518**
Weighted average number of shares		36,721,368	12,468,463
Dilutive effect of outstanding warrants			
Outstanding warrants	17	37,525,426	177,238
Weighted average number of shares for calculation of diluted EPS		74,246,794	12,645,701
Earnings per share (EPS) *		-0.52	-0.78
Earnings per share, diluted (DEPS)**		-0.26	-0.77

* Earnings per share is calculated as net profit divided by the "weighted average number of shares" multipled by 100.
** Earnings per share diluted is calculated as net profit divided by the "weighted average number of shares for calculation of diluted EPS" multiplied by 100.

13. Provisions for deferred tax

The company has a non-recognized deferred tax asset of DKK 5.1M.

14. Deferred income, liabilities

DKK	2023	2022
Deferred income, beginning of the year	24,088,423	22,278,827
Deferred income, addition during the year	0	4,130,057
Deferred income, recognized as income during the year	-2,735,486	-1,468,474
Deferred income, disposal during the year	0	-851,987
Deferred income, end of the year	**21,352,937**	**24,088,423**
Deferred income long term liabilities	18,690,895	21,352,937
Deferred income, short term liabilities	2,662,042	2,735,486
	21,352,937	**24,088,423**

15. Long-term liabilities

DKK	Due within 1 year	Due after 1 year	Due after 5 years
Other payables	0	594,000	594,000
Deferred income	2,662,042	18,690,895	10,517,469
	2,662,042	**19,284,895**	**11,111,470**

Other payables of DKK 594,000 relates to frozen holiday funds.

16. Unrecognized rental and lease commitments

The Company is committed to a rent of DKK 150,422 after the year-end 2023 (2022: DKK 146,250) corresponding to a 6 months notice of termination, and a lease expense of DKK 287,971 (2022: DKK 341,386). The leasing commitment comprises multiple leasing agreements, with the latest agreement set to mature in June 2026. The leasing commitments are expected to be recognized as other external expenses in gross profit relatively evenly through June 2026.

17. Warrants

	Outstanding warrants as of January 1st, 2023	TO2 and TO3 warrants subcribed in the subscription period May 10th to 25th, 2023	Warrants issued April 13th, 2023, at extraordinary general meeting	TO2 and TO3 directed issue June 12th, 2023	Warrants exercised in exercise period October 2nd to 16th, 2023, at exercise price of DKK 0.20 per warrant	Warrants expired as of October 17th, 2023	Outstanding warrants as of December 31st, 2023
Warrants granted as part of a rights issue*		55,164,696		1,920,000	19,228,798	9,313,550	28,542,348
Warrants granted in accordance with article 4.5 of the Articles of Association**			8,366,745				8,366,745
Warrants granted in accordance with article 4.3.2 of the Articles of Association***	177,238		439,095				616,333
Total number of warrants	**177,238**	**55,164,696**	**8,805,840**	**1,920,000**	**19,228,798**	**9,313,550**	**37,525,426**

* In 2023, both TO2 and TO3 warrants were tradeable at Nasdaq First North Growth Market Denmark with ISIN codes DK0062272449 and DK0062272522 respectively.
** Warrants issued as part of an employee warrant scheme.
*** Warrants issued to financial advisor Gemstone Capital A/S. Out of the 616,333 warrants, Gemstone can exercise 250,000. Depending on the outcome of the exercise of TO3, the remaining 366,333 will be exercisable.

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