

Press release 23 November 2017

## **BrainCool secures external financing of up to SEK 100 million and issues free warrants to its shareholders**

BrainCool AB (publ) ("BrainCool") has signed an agreement relating to an investment of up to SEK 100 million. The capital will be used for launching BrainCool's products in the US. The transaction is carried out through a private placement of convertible notes (the "Notes") with warrants attached (the "Warrants") in several tranches spread over 36 months (each, a "Tranche").

*CEO Martin Waleij comments;*

*-BrainCool has had a strong development. Based on our unique technology and innovative product development, we have created a broad portfolio of medical cooling products that have the potential to significantly improve treatment of severe diseases and medical problems.*

*With this financing in place, the company has secured the means required to implement our strategy in establishing two strong business segments, Braincooling and Pain Management.*

*The capital injections will enable the establishment of sales operations and enhance production processes within the business segment Braincooling in Europe and in the US. Furthermore, the funds will generate additional clinical data, thus strengthening the competitiveness of our products within cardiac arrest, trauma, and stroke.*

*We are convinced that establishing our own sales operations in the US, where IQool™ System currently is being launched, will provide us with a competitive advantage as we introduce a number of new medical cooling products, including the unique combination of RhinoChill™ and IQool™ System.*

*A stronger financial position also enables investments in our pipeline of products in the business segment Pain Management, which includes oncology and migraine. These are indications with significant medical needs.*

*This financing solution implies that BrainCool has the right, but not the obligation, to issue several tranches of convertible bonds. If the need arises, we can quickly obtain capital for investments at low cost and under favorable conditions for the shareholders.*

The Tranches are subscribed by European Select Growth Opportunities Fund (the "Investor") focusing on technology and healthcare smallcap companies presenting a strong growth potential.

The financing relates to an issuance agreement entered into by BrainCool with the Investor signed on the evening of 22<sup>nd</sup> November 2017 (the “Agreement”). According to the Agreement BrainCool issues a first Tranche of SEK 20 million.

In connection with the Agreement, BrainCool will also issue free warrants to existing shareholders, to protect them against dilution (the “Shareholders Warrants”). For the first Tranche, one (1) warrant will be allocated for forty-seven (47) shares held on the 14<sup>th</sup> trading day after the date of this press release. The Shareholders Warrants will have the same characteristics as those of the Investor.

*CEO Martin Waleij comments;*

*-The program of warrants to our current shareholders could generate additional funding for BrainCool, while limiting the dilutive effects of this operation. As part of BrainCool’s financing strategy, we will also initiate a commission based cooperation with a consulting firm in the Netherlands. The cooperation will during the next three-year period result in at least two EU applications per year for non-dilutive funding in the area of research and commercialization. Pain Management is a prioritized field in several EU funding programs during the period 2018 - 2020.*

Further information about the funding agreement on subsequent pages.

**For more information**

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About BrainCool AB (publ)

BrainCool AB (publ) is an innovative medical device company that develops, markets, and sells leading medical cooling systems for indications and areas with significant medical benefits within the healthcare sector. The company focuses on two business segments, Braincooling and Pain management.

BrainCool AB (publ) is based in Lund, Sweden, and its share is listed on Aktietorget.

*This information is information that BrainCool (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out herein, on November 23, 2017.*

### **Highlights about the transaction:**

- The first Tranche is a private placement of SEK 20 million launched through the issuance of Notes with Warrants attached to the Investor.
- Upon the full exercise of the Warrants and the Shareholders Warrants of the first Tranche the investment may provide BrainCool with an additional SEK 20 million.
- Maximum additional potential financing of up to SEK 80 million (plus up to a SEK 80 million upon exercise of all the Warrants and the Shareholders Warrants) through further Tranches of Notes with Warrants attached over the next 36 months, subject to fulfilment of certain conditions.
- As a technical measure in order to meet the Investor's demand for immediate access to its shares, certain shareholders will, during a transitional period, lend shares to the share agent engaged for this Agreement.
- BrainCool's board of directors has on the evening of 22 November 2017 approved the transaction with the Investor as well as the issuance of the Notes, Warrants and the Shareholders Warrants under the first Tranche as it is within the limitations of the authorization from the shareholder's meeting held on 29 June 2017.

### **Main characteristics of the Notes, the Warrants and the Shareholders' Warrants:**

- The Notes have a principal amount of SEK 100,000 each. They bear no interest and have a maturity of 12 months from the date of the registration of their issuance with the Swedish Companies Registration Office. During their term, the Investor may request to convert any or all of the Notes at a variable conversion price representing a 7.5 % discount to the lowest daily volume weighted average price over the 15 trading days (the "Reference Price") preceding the conversion date.
- Upon such conversion request, BrainCool have the option to remit, at its discretion, cash, shares in BrainCool or a combination of both. This characteristic will enable BrainCool to manage the potential dilution resulting from the Notes.
- The Warrants have a maturity of three (3) years from the date of the registration of their issuance with the Swedish Companies Registration Office and will immediately be detached from the Notes. Each Warrant gives right to subscribe for one (1) new share (subject to standard adjustments in accordance with the terms and conditions of the Warrants) in BrainCool at a fixed strike price representing a 30 % premium to the Reference Price on the date of the request from BrainCool to issue a new Tranche.
- In the specific case of the first Tranche, the strike price will be SEK 13.93.
- The Shareholders Warrants will have the same characteristics as the Warrants and will together be admitted to trading on Aktietorget.

### **Issuance of the subsequent Tranches**

- BrainCool's board of directors has committed to the Investor that it will, at a general shareholders' meeting, propose to increase the maximum number of shares that can be

issued, if necessary, and to delegate the authority to the board of directors to approve the issuance of further Tranches of Notes with Warrants attached.

- Each subsequent Tranche will amount to SEK 10 million (such amount may be increased upon mutual consent of the Investor and BrainCool).
- BrainCool can request the Investor to subscribe the second Tranche 4 months after the registration of the Notes from the first Tranche and subsequent tranches 6 months after the registration of the previous Tranche (or, in each case, earlier to the extent all outstanding Notes have been converted or redeemed, subject to the below conditions).
- Subject to the fulfillment of the following conditions on the date of the request and the date of funding of the requested Tranche, BrainCool can request the Investor to subscribe a new Tranche:
  - no material adverse change has occurred;
  - no event of default is in existence;
  - no impossibility for the conversion of the Notes has occurred over the 90 preceding calendar days;
  - no suspension of trading of the shares has occurred over the 90 preceding calendar days;
  - BrainCool has a sufficient number of shares authorized for issuance by the board of directors upon conversion of the Notes into shares and upon exercise of the Warrants;
  - the closing price and the daily volume weighted average price of the shares on each of the 10 preceding trading days is at least equal to SEK 7.50;
  - the average daily value traded of the shares over the 10 preceding trading days is at least equal to SEK 750,000;
  - post-subscription of the requested Tranche, the Investor does not hold more than SEK 12.5 million of aggregate principal amount of Notes (such condition not applying for the first Tranche).

The full terms and conditions of the Notes, the Warrants and the Shareholders' Warrants will be published on BrainCool's website.

### **Example based on one Tranche:**

- Issuance of Tranche:
  - Tranche amount: SEK 20,000,000
  - Tranche issuance Reference Price: SEK 10.7210
  - Strike price of Warrants:  $\text{SEK } 10.7210 * 1.30\% \approx \text{SEK } 13.93$
  - Number of Notes:  $20,000,000 / 100,000 = 200$  Notes
  - Number of Warrants:  $20,000,000 * 50\% / 13.93 = 717,875$
  - Number of additional Shareholders' Warrants: 720,942 (approx. 100% of number of Warrants to the Investor)
- Conversion of Notes:
  - Reference Price: SEK 10.7210
  - Conversion Price:  $\text{SEK } 10.7210 * 92.5\% \approx \text{SEK } 9.91$
  - Number of shares:  $\text{SEK } 20,000,000 / \text{SEK } 9.91 = 2,018,163$  shares

- Full exercise of warrants:
  - Investment from Investor's Warrants at exercise:  $\text{SEK } 13.93 * 717,875 = \text{SEK } 10,000,000$
  - Investment from Shareholders' Warrants at exercise:  $\text{SEK } 13.93 * 720,942 = \text{SEK } 10,042,722$
  - Total number of shares from warrants: 1,438,817
  - Total additional investment from warrants: SEK 20,042,722
- Dilution of shareholders per current number of shares from Notes and at full exercise of all warrants: ~7.3%