



THERAPY



DIAGNOSTICS

Nexstim Plc is a neuromodulation company pioneering the development of **non-invasive brain stimulation technologies** for therapeutic (NBT[®]) and diagnostic (NBS) applications.

The Company is headquartered in Helsinki, Finland, and listed on Nasdaq First North Finland and Nasdaq First North Sweden.

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IMPROVING QUALITY OF LIFE

“It helped me greatly. It’s just immeasurable
the progress that I have made.”

Dwayne Nelson, Stroke Trial Patient



THERAPY & DIAGNOSTICS

World leader in navigated, non-invasive brain stimulation therapy and diagnosis.

Pioneering E-field navigated neuro stimulation technology (eTMS).

- Proprietary E-field modelling enables accurate stimulation.
- 3D MRI visualisation.
- Non-invasive and safe.

7 March 2017

Nexstim enrolled the first patients in its supplemental Phase III clinical trial in stroke rehabilitation, known as E-FIT.

2017 →



Therapy

Navigated Brain Therapy (NBT®)

Nexstim's NBT® system is based on unique navigated Transcranial Magnetic Stimulation (nTMS) technology which allows for accurate, reproducible and non-invasive brain stimulation in therapy with the aim of targeting indications with significant unmet clinical need. Its initial applications are for the treatment of stroke, depression and chronic pain.

- FDA cleared for treatment of major depression.
- E-FIT Phase III supplementary trial is ongoing for the use of NBT® in stroke rehabilitation; completion expected in mid-2018 allowing Nexstim to file for FDA clearance.
- CE marked for treatment of stroke, major depression and chronic neuropathic pain.

Nexstim owns rights to its unique NBS and NBT® systems' software developed in-house and our core algorithms are kept as trade secrets.

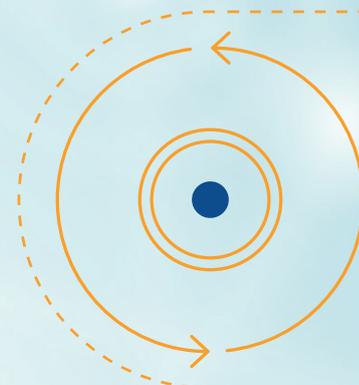
Diagnostics

Navigated Brain Stimulation (NBS)

Nexstim's NBS system is the only FDA cleared and CE marked system based on navigated Transcranial Magnetic Stimulation (nTMS) for the pre-surgical mapping of the speech and motor cortices of the brain.

Mapping allows for increased extent of resection, which has been shown to correlate independently with patient survival. An increase of 46% has been reported in progression free survival in low-grade gliomas.

- FDA cleared and CE marked.
- Sold to over 150 research universities and leading hospitals globally.



Percentage of stroke survivors who will suffer from upper limb paralysis

50%

Estimated EU and US annual market size for upper limb mobility rehabilitation post-stroke is about

\$1.8bn

“We are ready to begin commercialisation efforts for our NBT[®] system in the US, the largest and most lucrative market for this device.”

Martin Jamieson, Chairman and CEO

27 June 2017

Nexstim Plc filed 510(k) submission for its NBT[®] system for the treatment of depression with US FDA



Funding Milestones:

- Company financed until end of Q1 2019.
- Cash balance of EUR 8.5 million (31 December 2017).
- Directed share issue to Bracknor and Finnish Innovation Fund Sitra raised EUR 12.8 million. EUR. 14.3 million in open warrants.
- Raised new equity financing of EUR 1.75 million during October 2017 from London-based investor City Financial.
- Entered into a EUR 4 million loan agreement with Kreos Capital in December 2017.

Cash balance

€8.5m

25 October 2017

Nexstim raised EUR 1.75 million via a directed issue of new shares to London-based investor City Financial – Funds to be used to support beginning the commercialisation of its NBT[®] system.



13 November 2017

Nexstim gained FDA clearance to commercialise its NBT[®] system in the US for the treatment of depression.



1 December 2017

Nexstim Plc appointed Steve Beller as Vice President and General Manager, North America.



11 December 2017

Nexstim entered into a loan agreement with Kreos Capital V (UK) Limited. Subject to AGM approval, Kreos will grant Nexstim a senior secured term loan facility of EUR 4 million.

2018 →

NBT[®] system US launch during

Q2 2018

 General updates
  Personnel updates
  Clinical trial and regulatory affairs

ON TRACK FOR US LAUNCH

Further to the Food and Drug Administration (FDA) clearance of Nexstim's NBT® system for the treatment of Major Depressive Disorder (MDD), Nexstim intends to launch its NBT® system in the US during Q2 2018.

Supplementary E-FIT trial

60
patients

Navigated Brain Therapy (NBT)

NBT system currently in a supplementary Phase III E-FIT trial for its use in stroke rehabilitation (expected completion, mid-2018). The E-FIT clinical trial, which is evaluating Nexstim's NBT® system, is designed to provide data to supplement the completed Phase III NICHE trial. Successful completion will allow Nexstim to file for FDA clearance.

5
leading US centres

- NBT system is CE marked for stroke, depression and chronic pain in Europe.
- NBT system received FDA clearance for use in the treatment of Major Depressive Disorder (MDD).
- New VP and GM in North America Steve Beller leads commercialisation efforts since announcement of FDA clearance depression.

NBT® (Navigated Brain Therapy) has potential for multiple therapeutic applications due to precise navigation.

Depression Therapy

- Major depressive disorder affects >300 million people worldwide.
- Existing psychotherapy and pharmacological treatment options are suboptimal.
- Without navigation, the exact cortex area - Dorso Lateral Pre Frontal Cortex - requiring TMS treatment is correctly targeted in just 30% of patients.
- US commercial launch in Q2 2018.
- TMS reimbursement is already available in the US and in some EU markets.

Stroke Rehabilitation Therapy

- Large and rapidly growing market.
- 50% of stroke survivors will have upper limb paralysis with few available treatment options.
- Focus on the period three months poststroke.

Chronic Pain Therapy

- 40-50% of neuropathic pain patients are without effective pain relief.
- Study conducted by The Walton Centre, UK stated that 44% of patients undergoing NBT therapy reported clinically meaningful pain relief of at least three weeks' duration.
- The Walton Centre is currently conducting a follow up study to measure the long-term pain relief.

“FDA clearance for our NBT® system is a critical milestone in the commercialisation of the device in the US.”

Martin Jamieson, Chairman and CEO

Nexstim expects completion of E-FIT trial in

mid-2018



Milestones – Clinical Trial Plan

2018

2019

2020

2021

All indications

Registry for depression, stroke and chronic pain data collection

Stroke

E-FIT

Trials to replicate E-FIT for reimbursement (five, US) – 2019-2021

Multi-center trial in chronic stroke – 2019-2021

Chronic pain

Phase II trial – H2 2018-H1 2021



Nexstim Group

Nexstim is a medical technology company developing and marketing pioneering navigated non-invasive brain stimulation systems for both therapeutic (NBT[®] system) and diagnostic (NBS system) applications. Nexstim's NBS system is the only FDA cleared and CE marked system based on navigated Transcranial Magnetic Stimulation (nTMS) for the pre-surgical mapping of the speech and motor cortices of the brain. Based on the same technology platform, the Company has developed the Navigated Brain Therapy (NBT[®]) which is CE marked in Europe for the treatment of stroke, major depression and chronic neuropathic pain.

Nexstim has received clearance from the FDA for marketing and commercial distribution of its NBT[®] system for the treatment of Major Depressive Disorder (MDD) and looks forward to launching the NBT[®] system for this important indication during Q2 2018.

The NBT[®] system is currently in a 60-patient, supplemental Phase III study, E-FIT trial, for its use in stroke rehabilitation. The trial is expected to complete in mid-2018, allowing Nexstim to file for FDA clearance. FDA clearance would allow Nexstim to start marketing and selling its NBT[®] system for stroke rehabilitation in the US.

Nexstim's NBT[®] system is in the development and pre-commercialisation phase and the Company has no material revenue at the moment. The Company is currently producing clinical evidence of the efficacy of the NBT[®] system for the treatment of stroke in the supplemental Phase III study, E-FIT trial. The Company expects that the rehabilitation centres participating in the trial would be early adopters of the NBT[®] system after the trial is completed.

Nexstim's NBS system is used for pre-surgical diagnostics. Sales and marketing efforts of Nexstim's NBS system have primarily been targeted at universities and teaching hospitals with strong key opinion leader (KOL) presence in the fields of neurosurgery and radiology. At the date of this report Nexstim has sold a total of approximately 150 NBS systems.

Nexstim's devices are manufactured in Finland by a subcontractor.

The registered name of the issuer is Nexstim Oyj (the Company) (in Swedish Nexstim Abp and in English Nexstim Plc). The Company is a public limited company (in Swedish: publikt aktiebolag) incorporated under the laws of Finland. The Company is domiciled in Helsinki, Finland. The Company is registered with the Finnish Trade Register under number 1628881-1. Nexstim Plc shares are listed on Nasdaq First North Finland and Nasdaq First North Sweden.

Nexstim Plc has two fully-owned and operative subsidiaries. Nexstim Inc. was established under Delaware state laws in the US in 2008. Nexstim Germany GmbH was established under German law in 2008 and it does not have permanent offices. In addition, Nexstim has a fully-owned but currently inactive subsidiary, Nexstim Ltd, established under UK law in 2008.

Key Figures of the Group

	01/12/2017 12 months €000s	01/12/2016 12 months €000s
Net sales	2,645.3	2,482.6
Personnel expenses	(3,334.7)	(4,253.2)
Depreciation and amortisation	(341.3)	(372.3)
Other operating expenses	(4,118.1)	(3,907.6)
Profit/(Loss) for the period	(7,327.9)	(6,732.7)
Earnings per share (EUR)	(0.09)	(0.56)
Cash flows from operating activities	(5,402.9)	(7,225.3)
Cash in hand and at banks	8,473.6	8,156.4
Total equity	5,520.8	4,478.5
Equity ratio (%)	52.77	55.12
Number of shares in the end of the period (pcs)	93,173,604	47,087,749
Average number of shares during the period (pcs)	79,476,965	11,950,664
Diluted number of shares in the end of the period (pcs)	132,947,261	78,830,446
Diluted average number of shares during the period (pcs)	114,676,433	15,762,543

Financial Review

The figures in parenthesis (EUR thousand) represent the amount in the previous year's comparative period, unless otherwise stated.

Operating Results

Net Sales

Net sales between 1 January – 31 December 2017 were EUR 2,645.3 thousand (2,482.6), an increase of 6.6 percent year-on-year.

Work Performed for Own Purpose and Capitalised

Work performed for Nexstim's own purposes and capitalised between 1 January – 31 December 2017 was EUR 38.8 thousand (26.0). These amounts mainly consist of capitalised development costs.

Financial Review continued

Other Operating Income

Other operating income from 1 January – 31 December 2017 was EUR 70.2 thousand (17.2).

Materials and Services

Materials and services expenses between 1 January – 31 December 2017 totalled EUR -552.1 thousand (-688.6).

Personnel Expenses

Personnel expenses between 1 January – 31 December 2017 totalled EUR -3,334.7 thousand (-4,253.2). The decrease in expenses was mainly due to the organisational changes related to the autumn 2016 cost-saving program.

Depreciation and Amortisation

Depreciation and amortisation between 1 January – 31 December 2017 amounted to EUR -341.3 thousand (-372.3).

Other Operating Expenses

Other operating expenses from 1 January – 31 December 2017 totalled EUR -4,118.1 thousand (-3,907.7). The costs related to the E-FIT trial led to a EUR -1,517.8 thousand increase in full year expenses.

Operating Profit (Loss)

The operating loss between 1 January – 31 December 2017 was EUR -5,591.9 thousand (-6,696.1).

Financial Income and Expenses

Net financial income and between 1 January – 31 December 2017 was an expense of EUR -1,733.2 thousand (-34.3). The financial expenses were mainly currency exchange rate losses related to intra-Group loans.

Profit (Loss) Before Taxes

Loss before taxes between 1 January – 31 December 2017 was EUR -7,325.1 thousand (-6,730.4).

Income Taxes

Income taxes from 1 January – 31 December 2017 were EUR -2.8 thousand (-2.3).

Profit/Loss for the Financial Period

The loss for the period 1 January – 31 December 2017 was EUR -7,327.9 thousand (-6,732.7).

Financial Position

Non-Current Assets

The Company's non-current assets were EUR 717.8 thousand (911.3) as of 31 December 2017. Intangible assets amounted to EUR 540.5 thousand at 31 December 2017 and consisted mainly of intangible assets related to capitalised development expenses and intellectual property rights. Tangible assets amounted to EUR 167.3 thousand on 31 December 2017 and consisted mainly of E-FIT trial equipment.

Current Assets

The Company's current assets amounted to EUR 10,325.8 thousand (9,506.0) as at 31 December 2017. The increase in current assets was mainly due to increase in accounts receivable and cash in hand and at banks.

Equity

Consolidated shareholders' equity totalled EUR 5,520.8 thousand (4,478.5) as at 31 December 2017.

Liabilities

Non-Current Liabilities

The Company's non-current liabilities totalled EUR 3,737.2 thousand (3,801.9) as at 31 December 2017. The non-current liabilities of the Company consist of capital loans, other interest-bearing loans and deferred income.

Current Liabilities

The Company's current liabilities totalled EUR 1,785.6 thousand (2,136.9) as at 31 December 2017. The current liabilities mainly consist of trade payables, other current liabilities and accrued expenses.

Financing and Liquidity

Liquid assets, consisting of cash in hand and at banks, totalled EUR 8,473.6 thousand (8,156.4) at 31 December 2017.

The Company's net cash outflow from operating activities during 2017 was EUR -5,402.9 thousand (-7,225.3).

Net cash flow from investments was EUR -147.8 thousand during the reporting period (-310.1).

Net cash flow from financing activities was EUR 5,868.0 thousand during 2017 (8,817.0). Financing through share issues amounted to EUR 6,765.3 thousand in the 12-month period ended 31 December 2017.

Organisation and Personnel

Nexstim's strategy is to only recruit employees that the Company believes have core competence and know-how in order to support the Company's efficient operation. In compliance with this strategy, Nexstim has outsourced most of its operations such as the production.

The Company is organised in five operative functions:

- Clinical.
- Research & Development (R&D).
- Operations.
- Sales & Marketing, including After Sales and Service.
- Administration, including Finance, Legal Affairs, Quality and Regulatory Affairs support functions.

At the end of the financial period 2017 Nexstim Group employed 24 full-time employees (FTEs) (2016: 23). Nexstim Plc employed 20 FTEs at the end of year 2017 (2016: 18). During the financial year 2017 Nexstim Group employed on average 24 FTEs (2016: 29 FTEs).

Strategy

The Company strategy is to focus on receiving US regulatory approval and preparing for commercialisation of its navigated transcranial magnetic stimulation (nTMS) technology in the major therapeutic applications of post-acute stroke, depression and chronic pain.

Growth through partner agreements will be targeted in the major geographic territories of Europe, the US and Asia. The Pre-surgical mapping (PSM) business will adopt a distributor model to deliver further growth.

Major Events in the Financial Period

On 11 January 2017, the Company announced that Nexstim had signed independent selling representative agreements in the US. According to the agreements, SurgicalOne, Inc., NeuroTec Inc. and Medical Excellence Southwest represent the Nexstim Brain Mapping NBS system in the US.

On 16 January 2017, the Company announced the subscription of 256,035 new shares in Nexstim Plc based on stock options 2013A.

An extraordinary general meeting (EGM) was held in Helsinki on 20 February 2017. The EGM approved the unauthorised directed issuances of 15,602,127 shares in Nexstim to Bracknor and Sitra. In addition, the EGM approved the unauthorised issuances to Bracknor and Sitra of special rights entitling to 31,167,761 shares in Nexstim. The EGM also authorised the Board of Directors to resolve on share issues as well as issues of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Finnish Companies Act as follows: The shares issued under the authorisation are new or those in Nexstim's possession. Under the authorisation, a maximum number of 29,412,792 shares could be issued.

On 7 March 2017, the Company announced that it had enrolled the first patients in its supplemental Phase III clinical trial in stroke rehabilitation, known as E-FIT.

On 9 March 2017, the Company announced that Petriina Puolakka stepped down from her role as Vice President, Legal Affairs and as a member of the Management Team as of 7 April 2017 and pursue opportunities outside the Company.

The Annual General Meeting (AGM) was held in Helsinki on 28 March 2017. The following resolutions were adopted at the AGM:

The AGM of Nexstim Plc adopted the Company's financial statements, including the consolidated financial statements for the year 2016, and discharged the members of the Board of Directors and the Chief Executive Officer from liability.

The AGM decided that no dividend would be paid for the financial year 1 January – 31 December 2016 and that the loss of the financial year be added to the loss account.

The AGM resolved the number of the members of the Board of Directors at five. Martin Jamieson, Ken Charhut, Rohan Hoare, Juliet Thompson and Tomas Holmberg were elected to the Board. Martin Jamieson was elected as Chairman and Juliet Thompson as Deputy Chairman.

The remuneration of the members of the Board of Directors was resolved as follows: €36,000 for the members of the Board domiciled in the US, and €27,000 for the members domiciled in Europe. The AGM recommended that the members of the Board invest half of the above-mentioned remuneration in the Company's shares. Further, the AGM resolved that the members of the Board Committee be paid as follows: €10,000 for the chairman of a committee per year and €5,000 for members of a committee. It was decided that reasonable travel expenses be compensated to the Board members.

Major Events in the Financial Period continued

The AGM decided that a restricted share unit plan be implemented for selected members of the Board of Directors of Nexstim Plc, on the terms and conditions attached to the proposals of the Board of Director's and its Committees to the AGM, which is available on the Company's website: www.nexstim.com. The plan includes four vesting periods, corresponding to the terms of office 2016-2017, 2017-2018, 2018-2019 and 2019-2020 of the member of the Board. The aim of the plan is to commit the participants to the Company, to align the objectives of the shareholders and the participants in order to increase the value of the Company, and to offer the participants a reward plan based on receiving and accumulating the Company's shares. The target group of the plan will be those members of the Board of Director's who are independent of the Company. The reward allocations in 2017 will be determined in cash.

The AGM decided that for each Board member who is independent from the Company, the grant gross value of the reward for the vesting period 2017-2018 will be EUR 12,500. The aim is to propose equal allocations for the Board members also to the AGM in 2018 and 2019. The granted reward will be converted into restricted share units at the beginning of the vesting period in 2017. The conversion of the granted reward into restricted share units will be based on the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki Ltd during 20 trading days following the release date of the Company's financial statements from 2016. In the plan, one restricted share unit corresponds to one Company's share. The value of the payable reward will be determined on the basis of the share price on the book-entry registration date of the paid shares.

The AGM decided that rewards from the plan will be paid to the Board members in the Company's shares within four weeks of the AGM in 2018, 2019 and 2020. The allocated reward for the vesting period 2017-2018 will be paid within four weeks of the AGM in 2018. The Company will withhold taxes and employment related expenses from the cash proportion of the reward according to law in force. Should a Board member cease to be a member of the Board before the end of a vesting period, no reward will be paid to him or her on the basis of such vesting period. The AGM proposes that the participants will be strongly recommended to hold shares paid as reward as long as their mandate as a member of the Board continues.

PricewaterhouseCoopers Oy, authorised Public Accountants were re-elected as the auditor with Martin Grandell acting as the auditor-in-charge. The auditor will be paid a reasonable fee.

In addition, the AGM authorised the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares. These authorisations are listed in more detail further in this report in section "Share and Shareowners".

On 28 March 2017, the Company announced that the Board of Directors convened after the AGM, and elected the members of the Board Committees as follows: The Chairman of the Audit Committee is to be Juliet Thompson and its members are to be Rohan Hoare and Tomas Holmberg. The Chairman of the Remuneration Committee is to be Ken Charhut and the members are to be Rohan Hoare and Martin Jamieson. The Chairman of the Nomination Committee is to be Sami Tuhkanen.

On 24 April 2017, the Company announced the appointment of Hanna Kotola as Vice President, Legal Affairs effective from 1 June 2017. Mrs. Kotola joined the Nexstim Management Team and reports to its CEO, Martin Jamieson.

On 8 May 2017, the Company announced that it had decided to terminate its market making agreement with Pareto Securities AB in the Nasdaq First North Sweden market. Termination was effective on 1 July 2017.

On 19 May 2017, the Company provided a timeline update for its supplemental Phase III clinical trial in stroke rehabilitation (E-FIT).

On 2 June 2017, the Company announced that it had agreed with the Finnish Funding Agency for Innovation (Tekes) to a three-year extension to the annual loan repayments on two R&D project loans. As a result of this agreement, cash repayments up to a maximum of EUR 1.8 million which were due to be paid from 2017-2019, will now be repaid between 2020 and 2022. The full repayment of these two R&D loans needs to be made to Tekes by the end of 2023.

On 5 June 2017, the Company announced that the Board of Directors of Nexstim Plc had decided that Tomas Holmberg shall replace Martin Jamieson on the Remuneration Committee. Risto Ilmoniemi and Juliet Thompson were elected as new members of the Nomination Committee. After these changes mentioned above, the Nexstim Plc Board Committee members are as follows: The Chairman of the Audit Committee is to be Juliet Thompson and the members are to be Rohan Hoare and Tomas Holmberg. The Chairman of the Remuneration Committee is to be Ken Charhut and the members are to be Rohan Hoare and Tomas Holmberg. The Chairman of the Nomination Committee is to be Sami Tuhkanen and the members are to be Risto Ilmoniemi and Juliet Thompson.

On 27 June 2017, the Company announced filing a 510(k) submission for its NBT[®] system for the treatment of Major Depressive Disorder (MDD) with the US FDA on 26 June 2017.

On 3 August 2017, the Company announced that Rainer Harjunpää resigned from his role as Vice President, Quality Assurance & Regulatory Affairs, After Sales and Services, and as a member of the Management Team, effective as of 31 August 2017.

On 14 September 2017, the Company announced the subscription of 110,000 new shares in Nexstim Plc based on stock options 2013A.

Major Events in the Financial Period *continued*

On 26 September 2017, the Company announced that John Liedtky had resigned from his role as Vice President, Commercialization & General Manager, US, and as a member of the Management Team, effective as of 18 October 2017.

On 12 October 2017, Nexstim announced that Hanna Kotola, Vice President of Legal Affairs, had been appointed to undertake the wider role of Quality & Regulatory Affairs, in addition to her current role. Hanna is supported in her new extended role by Anna Honkanen, Senior Manager, Quality & Regulatory Affairs.

On 16 October 2017, the Company announced that it is negotiating a potential assembly and distribution arrangement in China and a potential financing arrangement with a European growth debt provider.

On 19 October 2017, the Board of Directors of Nexstim Plc resolved amendments of the stock options 2016 and on a new stock option plan for the CEO. The amended maximum total number of stock options 2016 to be issued is 6,521,448 and entitles their owners to subscribe for a maximum total of 6,521,448 new shares in the Company or existing shares held by the Company. The stock options will be issued gratuitously. This amendment results in a 5,821,448 increase in the maximum total number of issued stock options and is based on an authorisation granted by the Annual General Meeting of Shareholders of the Company held on 28 March 2017. All 210,000 stock options 2016A, held by the Company, have been converted into stock options 2016B. Of the stock options, 4,343,284 are marked with the symbol 2016B and 2,178,164 are marked with the symbol 2016C. The maximum total number of stock options 2017 issued is 1,178,552, and they entitle their owner to subscribe for a maximum total of 1,178,552 new shares in the Company or existing shares held by the Company. The stock options will be issued gratuitously.

On 25 October 2017, Nexstim announced that it raised new equity financing of the gross amount EUR 1.75 million via a directed issue of new shares to a London-based fund managed by City Financial Investment Company Limited. The Company's Board of Directors resolved to issue up to 7,000,000 new shares at a subscription price of EUR 0.25 per share, resulting in an aggregate subscription price of EUR 1,750,000 (before any expenses relating to the share issue). The new shares were issued based on an authorisation received at the Company's Annual General Meeting on 28 March 2017.

On 13 November 2017, the Company announced that the Food and Drug Administration (FDA) had cleared Nexstim's NBT[®] system for marketing and commercial distribution in the US for the treatment of Major Depressive Disorder (MDD).

On 1 December 2017, Nexstim announced the appointment of Steve Beller as Vice President and General Manager, North America effective from 1 January 2018. Mr. Beller joins the Nexstim Management Team and report to CEO Martin Jamieson.

On 11 December 2017, the Company announced that it had entered into a loan agreement with Kreos Capital V (UK) Limited. In the financing arrangement, Kreos will grant Nexstim a senior secured term loan facility of EUR 4 million. Loans drawn down under the loan Agreement will carry interest at the rate of 10.75% per annum. The Financing arrangement also includes issuing warrants over new shares in Nexstim. The maximum number of new shares to which the warrants entitle will be 1,739,761 (being 480,000 divided by the 90-day volume-weighted average price of the Nexstim share, as further specified in the Warrant Agreement). The proceeds of the financing arrangement would primarily be used in furtherance of the bringing to market of Nexstim NBT[®] and NBS products in Europe and in particular in the US. The financing arrangement is conditional on the approval of the Annual General Meeting.

On 14 December 2017, Nexstim announced that, pursuant to the authorisation received from the Company's Annual General Meeting on 31 March 2016 and the restricted share unit reward plan, the Board of Directors of the Company had resolved on issuing altogether 9,910 new shares without payment to two members of the Board of Directors.

In addition to the above announcements, between 9 January 2017 and 6 June 2017, the Company published a total of eight regulatory releases about share issues as part of the Bracknor Investment and Sitra financing arrangement. According to the releases during this period, a total of 38,909,587 shares were transferred to these investors.

Post the 6 June 2017 share issue, the authorisation granted by the 20 February 2017 EGM has been used in full. Save for the exercising of the warrants issued in connection with the arrangement announced on 21 July 2016, the said financing arrangement has now been completed. A maximum of 31,801,597 shares in the Company may be subscribed for based on the unexercised warrants with the subscription price ranging from EUR 0.2773-0.8539 per share. Exercising all the unexercised warrants in accordance with the subscription prices of the warrants' terms and conditions would amount to an aggregate value of approximately EUR 14.3 million.

Major Events after the Financial Period

On 6 January 2018, the Company announced that Nexstim had enrolled the last patient in the supplementary Phase III E-FIT trial.

On 23 January 2018, the Company announced that Business Finland had granted the Company an R&D loan amounting to approximately EUR 1 million for the development of a next-generation user interface (GUI) for the Navigated Brain Therapy (NBT[®]) System indicated for the treatment of Major Depressive Disorder (MDD) and chronic neuropathic pain.

On 26 January 2018, the Company announced the subscription of 148,160 new shares in Nexstim Plc based on stock options 2013A. Trading in the new shares commenced on Nasdaq First North Finland and Nasdaq First North Sweden on 31 January 2018.

Nexstim has no other major events to report after the financial period.

Future Outlook

Based on its business forecast, the Company expects financial year 2018 to be a year of multiple investments and a larger loss than in financial year 2017 is expected for the period.

Major Risks and Uncertainties

Nexstim's operations, finances and shares involve risks that may be significant for the Company and its share value. These risks are assessed by the Board of Directors twice a year as part of the strategy and business planning process. The risks are published fully in the financial statement and in the annual report of the Board of Directors. The half-yearly reports only present the changes in short-term risks.

Risks relating to the Company and its business operations:

- The Company has a history of operating losses and the operations may never become profitable.
- The Company and its products are in the development phase.
- The Company may not be able to carry through the NBT[®] system's limited size stroke trial (E-FIT) in the estimated schedule or budget, finalise the trial or the trial may not show clinical efficacy.
- The Company's products will require certain authorisations before commercialisation; and currently not all required approvals or permits have been granted and there can be no assurance that such approvals and permits will be granted or successfully maintained.
- The Company may not be able to get the estimated reimbursement codes and reimbursement coverage.
- Healthcare providers and hospitals may not adopt the Company's technology and treatment modality in the estimated manner or extent.
- The Company's operations may be interrupted due to problems associated with its suppliers.
- The Company may not be able to maintain the required certifications and approvals.
- The Company may not be able to sufficiently protect or enforce intellectual property rights.
- The Company may infringe third party intellectual property rights or claims may be made against the Company on such infringements.
- A developed market for Company's products does not exist and the market does not necessarily develop to the desired direction or extent; the technology and products of the Company may not remain competitive.
- The expected income from capitalised development costs and intangible rights may prove to be weaker than expected.
- Development of the financial condition of Group companies may be weaker than expected and which may result into difficulties in repayment of loans granted by the Parent Company.
- The Company may not be able to utilise all tax losses incurred.
- There may be changes in reported profitability or financial position due to changes in accounting regulation or possible future decision to start to apply international Financial Reporting Standards.
- The Company may become subject to product liability claims and other claims.
- The Company may in the future be involved in litigation and/or arbitration proceedings.
- The Company may be adversely affected by financial difficulties or bankruptcy of one or more of its customers, partners, suppliers or other counterparties.
- The Company is reliant on its information systems.
- The Company is reliant on its ability to recruit and retain relevant key personnel.
- The Company is reliant on its ability to find and retain research partners.
- The Company has limited experience in sales, marketing and distribution.
- The Company must comply with complex legislation and regulations applicable to its business, and any breach of such legislation or regulations may have onerous consequences.
- The insurance coverage of the Company may not be comprehensive, and the Company may not be fully insured against all risks.
- The Company's tax burden could increase due to changes in tax laws or regulations or their application, or as a result of future tax audits.
- Tekes funding may not be available in the future and may become repayable prematurely.
- The Company could encounter difficulties in refinancing its debt.
- The Company will need a substantial amount of additional financing in the future in order to commercialise its NBT[®] system, if the required approvals and permissions are acquired.
- The Company may be adversely affected by fluctuations in exchange rates.
- The Company may be adversely affected by increasing costs.

The Company operates in global markets and is subject to changes in geopolitical and local political atmospheres.

Risks relating to the shares:

- The Company's majority shareholders can influence the governance of the Company, and the interests of the Company's majority shareholders may differ from the interests of the Company's minority shareholders.
- The market price is subject to price volatility, possible the lack of liquidity and fluctuations in the exchange rates.
- Holders of shares in the Company registered in custodial nominee accounts may not be able to exercise their voting rights.
- The amount of possible future dividends to be distributed to shareholders is uncertain.
- Future issues or sales of a substantial number of shares or rights entitling to shares could have a negative effect on the market price of the shares and cause dilution.

Possible negative rumours could have a negative effect on the market price of the shares.

Risks relating to general economic conditions:

- The Company may be adversely affected by changes in the financial markets and economic conditions generally.
- The Company may be adversely affected by fluctuations in interest rates.



Share and Shareowners

As at 31 December 2017, the fully paid-up share capital of Nexstim Plc amounts to EUR 80,000.00, consisting of 93,173,604 shares. The shares have no nominal value. Nexstim has one series of shares, which have an ISIN code of FI4000102678. As at the end of financial period 2017, Nexstim had no treasury shares. Each share entitles its holder to one vote at the general meetings of shareholders of Nexstim Plc. The shares are issued under Finnish law.

Nexstim Plc shares are listed in Helsinki Stock Exchange, First North Finland and at the Stockholm Stock Exchange, First North Sweden. Below presented share price information from First North Finland is in euros (EUR) and share price information from First North Sweden is in Swedish kronas (SEK).

On 1 January – 31 December 2017, the highest price of the Company share was EUR 0.40 (2016: EUR 6.60) and SEK 3.25 (2016: SEK 60.00), the lowest price was EUR 0.14 (2016: EUR 0.12) and SEK 1.32 (2016: SEK 1.18), and the average price was EUR 0.24 (2016: EUR 0.36) and SEK 2.24 (2016: SEK 2.46). The closing price for 2017 on 29 December 2017, was EUR 0.28 (2016: EUR 0.16) and SEK 2.70 (2016: SEK 1.46).

In public trading on 1 January – 31 December 2017, a total of 713,260,486 shares were traded, which corresponds to 897.4 percent of the average number of shares on the said period. On 1 January – 31 December 2017, there were 79,476,965 shares on the average.

The market value of the share capital at the closing price of 2017, EUR 0.28 and SEK 2.70, on December 29, 2017, was EUR 25,623 thousand (2016: EUR 7,534) and SEK 251,569 thousand (2016: 68,748).

On 31 December 2017, the Company had 5,789 (2016: 2,931) shareowners including the nominee registers (six registers). The share of nominee registered ownership was 73.6 percent (2016: 73.5) of the total number of shares.

On 31 December 2017 Nexstim Plc Board of Directors had the following authorisations granted.

The 31 March 2016 AGM decided to authorise the Board of Directors to decide on share issue as well as issue of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. The shares issued under the authorisation are new or those in the Company's possession. Under the authorisation, a maximum of 950,000 shares can be issued. This number corresponded to approximately 10.5 percent of all of the shares in the Company after the share issue, provided that all new shares are issued. The authorisation is valid for five years from the decision of the AGM. The Company intends to use the authorisation to implement the restricted share unit plan for the members of the Board of Directors and for the long-term incentive plans for the management and the personnel of the Company. On 25 May 2016, the Board of Directors resolved on a new stock option plan on the basis of the authorisation granted by the Company's AGM held on 31 March 2016. The maximum total number of stock options issued was 700,000. On 14 December 2017 the Board of Directors of the Company resolved on issuing altogether 9,910 new shares without payment to two members of the Board of Directors as part of the restricted share unit reward plan. As such at the end of the reporting period the authorisation left is for a maximum of 240,090 shares.

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Nexstim Plc shareowners at the end of year 2017 was as follows:

	Shareholder	No. of shares	Holding %
1.	Nordea Bank Ab (Publ), Branch Operation in Finland*	55,693,112	59.77
2.	The Finnish Innovation Fund Sitra	9,741,876	10.46
3.	Skandinaviska Enskilda Banken AB*	7,197,826	7.73
4.	Clearstream Banking S.A.*	3,112,018	3.34
5.	Svenska Handelsbanken AB (publ), Branch Operation in Finland*	2,164,377	2.32
6.	Haapaniemi Ossi	735,470	0.79
7.	Parkkinen Veli-Matti	401,901	0.43
8.	Haapaniemi O.Law Oy	400,365	0.43
9.	Danske Bank Plc*	356,137	0.38
10.	Ilmarinen Mutual Pension Insurance Company	319,643	0.34
11.	Paasivirta Esa Juhani	300,000	0.32
12.	Amra Oy	280,000	0.30
13.	Wikberg Ilkka Sakari	227,757	0.24
14.	Kekäläinen Jari Tapani	200,000	0.21
15.	OP-Finland Value Fund	198,987	0.21
16.	Ihantola Markku Wilhelm	165,000	0.18
17.	Puttonen Vesa	164,314	0.18
18.	Yljens Johan Fredrik	152,100	0.16
19.	Ilmoniemi Risto Juhani	119,541	0.13
20.	Huhtala Janne	116,000	0.12

* Nominee registered shareholders.

Board of Directors and the Company's Management

Board of Directors

The following were members of the Nexstim Plc's Board of Directors during 2017: Martin Jamieson (Chairman), Johan Christenson (Deputy Chairman until 28 March 2017), Juliet Thompson (Deputy Chairman since 28 March 2017), Kenneth Charhut, Rohan Hoare, Tomas Holmberg (since 28 March 2017), Ekaterina Smirnyagina (until 28 March 2017) and Juha Vapaavuori (until March 28, 2017). The Board of Directors convened 26 times during 2017.

CEO

Martin Jamieson acted as CEO of Nexstim Plc and Group during 2017.

Management Team

The following members were part of Nexstim Group management team during 2017: Martin Jamieson (CEO), Henri Hannula (Vice President, Sales Europe), Rainer Harjunpää (Vice President, Quality Assurance and Regulatory Affairs, After Sales and Services until 31 August 2017), Gustaf Järnefelt (Vice President, R&D), Mikko Karvinen (CFO), Hanna Kotola (Vice President, Legal Affairs since 1 June 2017), Jarmo Laine (Vice President, Medical Affairs), John Liedtke (VP of Commercialisation, General Manager US until 18 October 2017) and Petriina Puolakka (Vice President, Legal Affairs until 7 April 2017).

Board of Directors' Proposal on the Dividend

During its existence, the Company's operations have been unprofitable, and no dividend has been distributed. In the forthcoming years, the Company will focus on financing the growth and the development of its business and the Company will adhere to a very stringent dividend policy, tied to the Company's results and financial standing. The Company does not expect to be able to distribute dividends in the near future. In the event dividends are distributed, all shares entitle to equal dividends.

At the end of the financial period of 2017, the distributable assets of the Group's Parent Company were EUR 18,526,651.59. The Board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2017.

CONSOLIDATED FINANCIAL STATEMENTS

Profit and Loss Statement for the financial year ended 31 December 2017

	Note	1 January – 31 December 2017 €	1 January – 31 December 2016 €
NET SALES	2	2,645,348.35	2,482,600.08
Work performed for own purpose and capitalised		38,800.00	26,014.83
Other operating income	3	70,164.40	17,151.36
Materials and services			
Materials			
Purchases during the financial year		(617,180.98)	(560,458.30)
Increase (+) decrease (-) in inventories		94,837.93	(128,110.62)
External services		(29,793.64)	(59.99)
Total		(522,136.69)	(688,628.91)
Personnel expenses	4		
Wages and salaries		(2,903,274.84)	(3,602,272.77)
Social security expenses			
Pension expenses		(277,217.28)	(348,988.29)
Other social security expenses		(154,194.09)	(301,958.12)
Total		(3,334,686.21)	(4,253,219.18)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(341,302.35)	(372,321.29)
Total		(341,302.35)	(372,321.29)
Other operating expenses	5	(4,118,134.06)	(3,907,660.57)
OPERATING PROFIT/(LOSS)		(5,591,946.56)	(6,696,063.68)
Financial income and expenses	6		
Other interest income and other financial income		382.60	134.05
Interest and other financial expenses		(1,733,556.28)	(34,477.84)
Total		(1,733,173.68)	(34,343.79)
PROFIT/(LOSS) BEFORE TAXES		(7,325,120.24)	(6,730,407.47)
Income taxes		(2,804.57)	(2,298.09)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(7,327,924.81)	(6,732,705.56)

Balance Sheet

for the financial year ended 31 December 2017

	Note	31 December 2017 €	31 December 2016 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	7	70,498.46	66,252.93
Intangible rights		470,038.75	585,969.69
Total		540,537.21	652,222.62
Tangible assets			
Machinery and equipment	8	167,287.63	249,067.93
Total		167,287.63	249,067.93
Investments			
Other shares and similar rights of ownership	9	10,000.00	10,000.00
Total		10,000.00	10,000.00
NON-CURRENT ASSETS TOTAL		717,824.84	911,290.55
CURRENT ASSETS			
Inventories			
Raw materials and consumables		387,099.65	292,261.72
Total		387,099.65	292,261.72
Receivables			
Trade receivables		1,152,452.16	789,375.79
Prepayments and accrued income	10	117,181.15	161,014.46
Other receivables		195,520.02	106,983.13
Total		1,465,153.33	1,057,373.38
Cash in hand and at banks		8,473,596.51	8,156,367.96
CURRENT ASSETS TOTAL		10,325,849.49	9,506,003.06
ASSETS TOTAL		11,043,674.33	10,417,293.61



Balance Sheet continued

for the financial year ended 31 December 2017

	Note	31 December 2017 €	31 December 2016 €
EQUITY AND LIABILITIES			
EQUITY			
	11		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		38,519,113.59	31,692,606.88
Retained earnings/(loss)		(25,750,401.62)	(20,561,408.62)
Profit/(Loss) for the financial year		(7,327,924.81)	(6,732,705.56)
TOTAL EQUITY		5,520,787.16	4,478,492.70
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans	12	300,000.00	1,250,000.00
Other interest-bearing loans	13	3,423,839.44	2,528,349.44
Deferred income	13	13,400.00	23,600.00
Total		3,737,239.44	3,801,949.44
CURRENT LIABILITIES			
Trade payables		961,494.19	397,311.65
Other liabilities		113,049.13	1,011,977.28
Accrued expenses	14	711,104.41	727,562.54
Total		1,785,647.73	2,136,851.47
TOTAL LIABILITIES		5,522,887.17	5,938,800.91
EQUITY AND LIABILITIES TOTAL		11,043,674.33	10,417,293.61

Consolidated Cash Flow Statement

for the financial year ended 31 December 2017

	1 January – 31 December 2017 €000s	1 January – 31 December 2016 €000s
Cash flows from operating activities		
Profit/(Loss) for the financial period	(7,327.9)	(6,732.7)
Adjustments:		
Depreciation and amortisation according to plan	341.3	372.3
Other adjustments (income -/expense +)	1,543.7	(444.2)
Financial income and expenses	1,733.2	(34.3)
Cash flows before change in working capital	(3,709.7)	(6,838.9)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(1,941.7)	298.8
Increase (-) or decrease (+) in inventories	(94.8)	129.2
Increase (+) or decrease (-) in current interest-free payables	481.4	(839.2)
Cash flows from operations before financial items and taxes	(5,265.1)	(7,250.1)
Interest and other financial expenses paid	(137.8)	24.8
Cash flows from operating activities (A)	(5,402.9)	(7,225.3)
Cash flows from investing activities		
Investments in intangible and tangible assets	(147.8)	(310.1)
Cash flows from investments (B)	(147.8)	(310.1)
Cash flows from financing activities		
Share issue	6,765.3	7,700.3
Drawing (+) or repayment of long-term loans (-)	(897.3)	1,116.7
Cash flows from financing activities (C)	5,868.0	8,817.0
Change in cash in hand and at banks	317.2	1,281.6
Cash in hand and at banks in the beginning of the period	8,156.4	6,874.7
Cash in hand and at banks at end of the period	8,473.6	8,156.4

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Principles

Consolidation

The consolidated financial statements have been prepared in accordance with the Finnish Accounting Standards. The consolidated financial statements include the Parent Company and the subsidiaries in which the Parent Company holds more than 50% of the voting rights, either directly or indirectly. The consolidated financial statements have been prepared using the acquisition method. All intercompany accounts and transactions have been eliminated. The income statements of foreign Group companies have been translated into Finnish currency at the average exchange rate of the financial year, and balance sheets at the exchange rate on the closing day of the financial year. The exchange rate differences generated in the translation, and the translation adjustments created in the translation of shareholders' equity of foreign subsidiaries, are included in retained losses in the consolidated balance sheet.

Supplements to the Consolidated Financial Statement Figures

These consolidated financial statements include more extensive notes than the statutory financial statements. The following notes are supplements to these consolidated financial statements:

2. Net sales;
4. Personnel expenses – Salaries and bonuses of Directors;
5. Other operating expenses;
10. Prepayments and accrued income;
13. Non-current liabilities – Maturity of interest bearing liabilities;
14. Accrued expenses;
15. Commitments;
18. Stock options; and
19. Restricted share unit plans.

Valuation Principles and Methods

Intangible and tangible assets are stated at cost less depreciation and amortisation according to plan. Capitalised development costs are amortised over a five-year period on a straight-line basis. Depreciation and amortisation is calculated on intangible and tangible assets based on their expected economic life. Depreciation and amortisation have been charged against the asset from the month the asset has been taken in use.

Depreciation and amortisation periods are:

Non-current asset	Useful life	Depreciation/Amortisation method
Patents	5	Straight-line
IT software	5	Straight-line
Development expenditures	5	Straight-line
Machinery and equipment		25% depreciation of residual value

Investments and non-current financial assets have been recognised in the balance sheet at the lower of acquisition price and fair value.

Inventories are stated at the lower of cost and net realisable value. The acquisition cost is determined using the first-in, first-out (FIFO) method. The acquisition cost includes variable acquisition costs.

Items Denominated in Foreign Currency

The trade receivables and trade payables denominated in foreign currency are translated into Finnish currency at the rate on the closing day of the financial year.

Revenue Recognition

Revenue on products sold is recognised upon delivery of the goods. Revenue on service agreements lasting over one fiscal year is recognised on an accruals basis over the contract period. The service revenue is recognised on a straight-line basis over the contract period excluding installation and training. Revenue for installation and training is recognised in the period in which the services are rendered.

Grants are recognised as income over the period when the cash is received.

Development Costs

Development costs that do not meet the capitalisation criteria are expensed for the reporting period incurred. Development cost that generate revenue in the future periods are capitalised and amortised over a five-year period on a straight-line basis.

Taxes

In line with the principle of prudence, Group companies have not booked deferred tax assets on tax losses carried forward.

NOTES FOR PROFIT AND LOSS ACCOUNT

2. Net Sales

	2017	2016
NBS/NBT systems	1,717,843.37	1,935,387.90
Other	927,504.98	547,213.18
Total	2,645,348.35	2,482,600.08

Net Sales by Geographical Area

	2017	2016
Finland	222,012.12	154,594.95
Rest of Europe*	1,920,329.94	1,370,661.91
US	461,465.43	725,869.81
Other	41,540.86	231,473.41
Total	2,645,348.35	2,482,600.08

* Including Russia.

3. Other Operating Income

	2017	2016
Other income	70,164.40	17,151.36
Government grants	0.00	0.00
Total	70,164.40	17,151.36

4. Personnel Expenses

	2017	2016
Wages and salaries	(2,903,274.84)	(3,602,272.77)
Pension expenses	(277,217.28)	(348,988.29)
Other social security expenses	(154,194.09)	(301,958.12)
Total	(3,334,686.21)	(4,253,219.18)

	2017	2016
Average number of personnel	24	29

Salaries and Bonuses of Directors

	2017	2016
CEO*	531,070.40	505,600.13
Board of Directors	161,068.17	184,850.50
Total	692,138.57	690,450.63

* Martin Jamieson (since 21 April 2016) and Janne Huhtala (until 21 April 2016) acted as CEO of Nexstim Plc and Group during 2016. Includes severance payment received by Janne Huhtala during the period between May 2016 and December 2016.

NOTES FOR PROFIT AND LOSS ACCOUNT continued

5. Other Operating Expenses

	2017	2016
Multi-centre stroke trial direct costs	(1,517,826.02)	(1,153,190.14)
Legal and consulting services	(923,059.55)	(528,298.03)
Travel expenses	(396,615.27)	(697,127.62)
Development expenses	(347,950.97)	(164,696.40)
Marketing expenses	(215,086.67)	(206,245.31)
Premise costs	(142,009.81)	(165,531.05)
Voluntary social costs	(60,517.54)	(56,252.56)
Other	(515,068.23)	(936,319.46)
Total	(4,118,134.06)	(3,907,660.57)

Auditor's Fees

	2017	2016
Audit	30,084.88	25,000.00
Total	30,084.88	25,000.00

6. Financial Income and Expenses

	2017	2016
Other interest income and other financial income	382.60	134.05
Interest and other financial expenses	(1,733,556.28)	(34,477.84)
Total	(1,733,173.68)	(34,343.79)

NOTES FOR BALANCE SHEET

7. Intangible Assets

Development Costs

	2017	2016
1 January	66,252.93	76,727.17
Increases	38,800.00	26,014.83
Planned depreciation	(34,554.47)	(36,489.07)
31 December	70,498.46	66,252.93

Intangible Rights (Patents)

	2017	2016
1 January	585,968.69	553,916.13
Increases	133,780.06	284,009.54
Planned depreciation	(249,711.00)	(251,955.98)
31 December	470,037.75	585,969.69

8. Tangible Assets

Machinery and Equipment

	2017	2016
1 January	249,067.93	332,903.43
Increase	10,000.00	0.00
Decrease	(34,743.40)	0.00
Planned depreciation	(57,036.88)	(83,835.50)
31 December	167,287.63	249,067.93

9. Other Shares and Similar Rights of Ownership

Holdings in Group Undertakings

Name	Domicile	%
Nexstim Inc.	United States of America	100%
Nexstim Ltd.	England	100%
Nexstim Germany GmbH	Germany	100%

Other Shares

Name	Amount of shares	Book value
SalWe OY, Helsinki (T&H SHOK), (business ID 2283290-8)	200/1.92%	10,000.00

10. Prepayments and Accrued Income

	2017	2016
Wage and salary receivables	0.00	0.00
Tekes grants	0.00	0.00
Other prepayments and accrued income	117,181.15	161,014.46
Total	117,181.15	161,014.46

NOTES FOR BALANCE SHEET continued

11. Equity

	2017	2016
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	31,692,606.88	23,582,336.26
Increases	6,826,506.71	8,110,270.62
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	38,519,113.59	31,692,606.88
Retained earnings/(loss) 1 January	(27,294,114.18)	(20,117,245.33)
Reduction of share capital	0.00	0.00
Reduction of share premium account	0.00	0.00
Adjustments for previous years	0.00	0.00
Translation difference	1,543,712.56	(444,163.29)
Profit/(Loss) for the period	(7,327,924.81)	(6,732,705.56)
Retained earnings/(loss) 31 December	(33,078,326.43)	(27,294,114.18)
Total unrestricted equity	5,440,787.16	4,398,492.70
Total equity	5,520,787.16	4,478,492.70

Consolidated Statement of Changes in Total Equity

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December, 2016	80.0	0.0	0.0	31,692.6	(27,294.1)	4,478.5
Issue of shares				6,826.5		6,826.5
Profit/(Loss) for the period					(7,327.9)	(7,327.9)
Translation difference					1,543.7	1,543.7
Equity on 31 December 2017	80.0	0.0	0.0	38,519.1	(33,078.3)	5,520.8

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December, 2015	80.0	0.0	0.0	23,582.3	(20,117.2)	3,545.1
Issue of shares				8,110.3		
Profit/(Loss) for the period					(6,732.7)	
Translation difference					(444.1)	
Equity on 31 December 2016	80.0	0.0	0.0	31,692.6	(27,294.1)	4,478.5

12. Capital Loans

	2017	2016
1 January	1,250,000.00	500,000.00
Increases	0.00	850,000.00
Reductions	(950,000.00)	(100,000.00)
31 December	300,000.00	1,250,000.00

12. Capital Loans continued

Capital Loan from Tekes

Main terms of the capital loan granted by Tekes are:

- Interest rate is 1 percent lower than the valid basic interest rate. However, the interest rate is always at least 3% p.a.
- The principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the Company.
- The principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the Company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements.
- Loan period is eight years, of which first five years are free of repayment:
 - There is no collateral for the loan.

The Company on 2 June 2015 agreed on a new payment plan with Valtiokonttori related to 8 February 2001 signed capital loan agreement of EUR 500.0 thousand. According to the new payment plan the capital will be repaid in full during the years 2016-2020 in fixed amortisation schedule. The accumulated accrued unpaid interest on the capital loans of the Company amounted to EUR 85.1 thousand at 31 December 2017 and it has been recognised as an expense in income statement and as a liability on the balance sheet.

	€
Tekes capital loan balance 31 December 2017	300,000.00

Convertible Loan from Bracknor

Main terms of the convertible loan from Bracknor Investment are:

- Nexstim issued during financial year 2016 zero coupon loan notes in the form of a capital loan with the maturity of 18 months from the issuance.
- The Loan Notes were issued in seven guaranteed sequential tranches totalling to EUR 5 million.
- The Loan Notes are convertible into Nexstim shares and will be converted at the latest at their maturity (18 months) immediately and without further consideration.
- Each tranche of Loan Notes is issued following the previous tranche being converted into shares or a cool-down period of 20 to 35 days having lapsed.
- Bracknor has agreed to subscribe for the Loan Notes from Nexstim with a conversion ratio calculated at a time a conversion is requested such as being equal to 85% of the lowest one-day volume-weighted average price observed on Nasdaq First North Finland over a pricing period of 15 days preceding such a conversion notice.

	2017	2016
1 January	850,000.00	0.00
Increases	0.00	5,000,000.00
Reductions	(850,000.00)	(4,150,000.00)
31 December	0.00	850,000.00

13. Non-Current Liabilities

Non-Current Liabilities

	2017	2016
Capital loans	300,000.00	400,000.00
Convertible bonds	0.00	850,000.00
Product development loans from Tekes	3,423,839.44	2,528,349.44
Deferred income	13,400.00	23,600.00
Total	3,737,239.44	3,801,949.44

Maturity of Interest-Bearing Liabilities

	2017	2016
Interest-bearing liabilities total	3,723,839.44	3,794,733.44
Due later than five years	2,791,776.60	0.00

14. Accrued Expenses

	2017	2016
Holiday accrual	198,081.69	229,869.80
Accrued interest	95,145.36	11,200.13
Accrued pension expenses	0.00	27,508.61
Other accrued expenses	417,877.36	458,984.00
Total	711,104.41	727,562.54

15. Commitments

Leasing Liabilities

	2017	2016
Due within next financial year	52,602.37	68,613.22
Due later	0.00	8,116.26
Total	52,602.37	76,729.48

16. Guarantees

	2017	2016
Rent deposits	54,913.78	55,048.49
Total	54,913.78	55,048.49

17. Shares of the Company

Shares of the Company consists of following share classes:

	2017 (pcs)	2016 (pcs)
A (1 vote/share)	93,173,604	47,087,749
	93,173,604	47,087,749

Each share entitles its holder to one vote at the general meetings of shareholders of Nexstim Plc.

18. Stock Options and Warrants

At the date of this report the Company had three stock option incentive schemes; 2013A, 2016 and 2017. At the date of this report the Company held a total of 72,268 stock options 2013A, 1,468,513 stock options 2016B and 512,935 stock options under the stock option plan 2016C. All other stock options have been granted free of charge. The stock options will be offered to the key personnel and management of the Company and its subsidiaries for incentive and commitment purposes.

The stock options may not be transferred to a third party and may not be given as a pledge without the approval of the Board of Directors of the Company.

Option scheme	Subscription price/share	Maximum amount of option rights	Subscription period
2013A	EUR 0.01	272,060 shares*	1/12/2013-31/12/2020
2016B	EUR 0.16	4,343,284 shares	1/7/2019-15/12/2024
2016C	**	2,178,164 shares	1/7/2020-15/12/2025
2017	EUR 0.16	1,178,552 shares	20/10/2018-31/3/2023

* In connection with merging of the share classes and share split on 29 September 2014, where the number of shares was increased 14-fold, the amount of option rights was increased respectively, and the maximum amounts were adjusted.

** For stock option 2016C, the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during 20 trading days following the release date of the Company's Financial Statements 2017.

Holdings of the Board of Directors and management team	(%)
Ownership based on proportion of total number of issued shares	0.24
Ownership based on proportion of total number of issued shares and option rights*	4.11
Proportion of votes based on ownership of shares	0.24
Proportion of votes based on ownership of shares and option rights*	4.11

* Assuming that all stock options are exercised.

Nexstim has on 21 July 2016, separately with Bracknor and Sitra, entered into agreements concerning the Warrants as follows. In connection with the CBF Agreement entered into with Bracknor, Bracknor receives Warrants together with the first 10 tranches of the Loan Notes. The Warrants received in connection with the CBF Agreement entitle Bracknor to subscribe for a number of shares of Nexstim equivalent to 100% of the each first 10 tranches' nominal amount for the duration of four years on a per share subscription price equivalent to 110% of the lowest closing volume weighted average price in the 15 trading days on Nasdaq First North Finland immediately preceding the trigger notice for subscription of the relevant tranche of the Loan Notes, except for the Warrants received in connection with the first tranche, for which the per share subscription price is equivalent to 110% of the lower of (i) the lowest closing volume weighted average price in the 15 trading days on Nasdaq First North Finland immediately preceding 20 July 2016; and (ii) the lowest closing volume weighted average price in the 15 trading days on Nasdaq First North Finland immediately preceding the subscription of the first tranche of the Loan Notes.

Furthermore, in connection with every share subscription made under the Bracknor SEDA, Bracknor receives Warrants that entitle Bracknor to subscribe for a number of shares of Nexstim equivalent to 35% of each share subscription made under the Bracknor SEDA. The per share subscription price for the Warrants received in connection with the Bracknor SEDA is equivalent to the lower of (i) EUR 0.6571; and (ii) the lowest one-day volume weighted average price in the five trading days on First North Finland immediately after this Company announcement, and in each case the Warrants are valid from the first trading day of the new shares subscribed for and for three years thereon. Sitra receives Warrants in connection with the Sitra SEDA on terms materially similar to the Warrants relating to the Bracknor SEDA.

18. Stock Options and Warrants continued

Warrant	Exercise price/share	Maximum amount of warrants	Expiry date
CBF1	EUR 0.8539	378,871 shares	18 August 2020
CBF2	EUR 0.5013	645,419 shares	22 September 2020
CBF3	EUR 0.3381	1,026,947 shares	20 October 2020
CBF4	EUR 0.3035	2,231,545 shares	8 November 2020
CBF5	EUR 0.2900	4,463,090 shares	16 November 2020
CBF6	EUR 0.2773	10,033,864 shares	5 December 2020
SEDA1	EUR 0.6571	482,822 shares	1 November 2019
SEDA2	EUR 0.6571	781,041 shares	11 November 2019
SEDA3	EUR 0.6571	853,564 shares	17 November 2019
SEDA4	EUR 0.6571	1,438,228 shares	28 November 2019
SEDA5	EUR 0.6571	772,346 shares	17 January 2020
SEDA6	EUR 0.6571	5,875,539 shares	8 March 2020
SITRA1	EUR 0.6571	251,652 shares	22 August 2019
SITRA2	EUR 0.6571	816,669 shares	5 December 2019
SITRA3	EUR 0.6571	1,233,664 shares	14 March 2020
SITRA4	EUR 0.6571	516,336 shares	6 June 2020

The total number of outstanding warrants at year end 2017 was 31,801,597 (see above for details). CBF1-6 warrants have been issued as part of the Bracknor convertible bond facility (CBF) agreement between 18 August 2016 and 5 December 2016. SEDA1-6 warrants have been issued as part of the Bracknor stand-by equity distribution agreement (SEDA) between 1 November 2016 and 8 March 2017. SITRA1 warrants have been issued as part of the direct share issuance to Sitra on 22 August 2016 and SITRA2-4 warrants have been issued as part of the SEDA share issues to Sitra between 5 December 2016 and 6 June 2017.

19. Restricted Share Unit Plans

The Annual General Meeting of Shareholders decided on 28 March 2017 that a restricted share unit plan be implemented to selected members of the Board of Directors of Nexstim Plc, on the terms and conditions attached to the proposals of the Board of Directors and its Committees to the Annual General Meeting which is available on the Company's website: www.nexstim.com. The plan includes four vesting periods, corresponding to the terms of office 2016-2017, 2017-2018, 2018-2019 and 2019-2020 of the member of the Board.

The aim of the plan is to commit the participants to the Company, to align the objectives of the shareholders and the participants in order to increase the value of the Company and to offer the participants a reward plan based on receiving and accumulating the Company's shares.

The target group of the plan will be those members of the Board of Directors who are independent of the Company. The reward allocations in 2017 will be determined in cash.

Allocation for Board Members for the Vesting Period 2017-2018

The Annual General Meeting decided that for each Board member who is independent from the Company the grant gross value of the reward for the vesting period 2017-2018 will be EUR 12,500. The aim is to propose equal allocations for the Board members also to the Annual General Meetings of Shareholders in 2018 and 2019.

The granted reward will be converted into restricted share units at the beginning of the vesting period, in 2017. The conversion of the granted reward into restricted share units will be based on the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki Ltd during 20 trading days following the release date of the Company's financial statements from 2016. In the plan, one restricted share unit corresponds to one Company's share. The value of the payable reward will be determined on the basis of the share price on the book-entry registration date of the paid shares.

The Annual General Meeting decided that rewards from the plan will be paid to the Board members in the Company's shares within four weeks of the Annual General Meeting of Shareholders in 2018, 2019 and 2020. The allocated reward for the vesting period 2017-2018 will be paid within four weeks of the Annual General Meeting of Shareholders in 2018. The Company will withhold taxes and employment related expenses from the cash proportion of the reward according to law in force. Should a Board member cease to be a member of the Board before the end of a vesting period, no reward will be paid to him or her on the basis of such vesting period.

Reward Payment for Board Members for the Vesting Period 2016-2017

Pursuant to the authorisation received from the Company's Annual General Meeting on 31 March 2016 and the restricted share unit reward plan, the Board of Directors of the Company resolved on 14 December 2017 on issuing altogether 9,910 new shares without payment to two members of the Board of Directors. Each participant of the plan will receive 4,955 shares based on the amount of the gross reward for the vesting period 2016-2017 determined by the Annual General Meeting. To one Board member, an amount corresponding to 4,955 shares was paid in cash due to very weighty reasons as provided for in the restricted share unit plan.

PARENT COMPANY FINANCIAL STATEMENT

Profit and Loss Statement

for the financial year ended 31 December 2017

	Note	1 January – 31 December 2017 €	1 January – 31 December 2016 €
NET SALES		2,256,637.00	1,691,417.23
Work performed for own purpose and capitalised		38,800.00	26,014.83
Other operating income	2	481,363.00	979,491.00
Materials and services			
Materials			
Purchases during the financial year		(621,791.35)	(574,590.86)
Increase (+) decrease (-) in inventories		(19,037.45)	(33,162.57)
Total		(640,828.80)	(607,753.43)
Personnel expenses			
Wages and salaries		(2,207,852.33)	(2,478,655.87)
Social security expenses			
Pension expenses		(277,217.28)	(348,988.29)
Other social security expenses		(30,015.56)	(87,553.17)
Total		(2,515,085.17)	(2,915,197.33)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(339,611.70)	(370,499.37)
Total		(339,611.70)	(370,499.37)
Other operating expenses		(3,584,223.01)	(3,158,798.68)
OPERATING PROFIT/(LOSS)		(4,302,948.68)	(4,355,325.75)
Financial income and expenses	3		
Other interest income and other financial income		891,114.11	851,677.50
Interest and other financial expenses		(1,619,923.24)	(23,004.45)
Total		(728,809.13)	828,673.05
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(5,031,757.81)	(3,526,652.70)

Balance Sheet

for the financial year ended 31 December 2017

	Note	31 December 2017 €	31 December 2016 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	4	70,498.46	662,52.93
Intangible rights		470,037.75	585,968.69
Total		540,536.21	652,221.62
Tangible assets			
Machinery and equipment	5	166,038.65	246,162.83
Total		166,038.65	246,162.83
Investments			
Investments in Group companies	6	408,896.52	408,896.52
Long-term receivables from Group companies		9,001,535.28	9,717,170.03
Other shares and similar rights of ownership		10,000.00	10,000.00
Total		9,420,431.80	10,136,066.55
NON-CURRENT ASSETS TOTAL		10,127,006.66	11,034,451.00
CURRENT ASSETS			
Inventories			
Raw materials and consumables		273,224.27	292,261.72
Total		273,224.27	292,261.72
Receivables			
Trade receivables		662,494.24	317,614.29
Short-term receivables from Group companies	7	4,450,186.23	2,807,449.89
Prepayments and accrued income		77,123.33	104,277.07
Other receivables		180,409.11	86,720.86
Total		5,370,212.91	3,316,062.11
Cash in hand and at banks		8,121,530.90	8,027,978.00
CURRENT ASSETS TOTAL		13,764,968.08	11,636,301.83
ASSETS TOTAL		23,891,974.74	22,670,752.83

PARENT COMPANY FINANCIAL STATEMENT continued

Balance Sheet continued

for the financial year ended 31 December 2017

	Note	31 December 2017 €	31 December 2016 €
EQUITY AND LIABILITIES			
EQUITY			
	8		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		38,519,113.59	31,692,606.88
Retained earnings/(loss)		(14,960,704.19)	(11,434,051.49)
Profit/(Loss) for the financial year		(5,031,757.81)	(3,526,652.70)
TOTAL EQUITY		18,606,651.59	16,811,902.69
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans		300,000.00	1,250,000.00
Other interest-bearing loans		3,423,839.44	2,528,349.44
Deferred income		13,400.00	23,600.00
Total		3,737,239.44	3,801,949.44
CURRENT LIABILITIES			
Trade payables		550,493.16	322,096.12
Payables to Group companies	9	313,905.26	147,130.65
Other liabilities		66,651.93	915,024.73
Accrued expenses		617,003.36	672,649.20
Total		1,548,053.71	2,056,900.70
TOTAL LIABILITIES		5,285,293.15	5,858,850.14
EQUITY AND LIABILITIES TOTAL		23,891,974.74	22,670,752.83

Parent Company Cash Flow Statement

	1 January – 31 December 2017 €000s	1 January – 31 December 2016 €000s
Cash flows from operating activities		
Profit/(Loss) for the financial period	(5,031.8)	(3,526.7)
Adjustments:		
Depreciation and amortisation according to plan	339.6	370.5
Other adjustments (income -/expense +)		
Financial income and expenses	728.8,	(828.7)
Cash flows before change in working capital	(3,963.3)	(3,984.8)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(1,865.2)	(2,107.3)
Increase (-) or decrease (+) in inventories	19.0	33.2
Increase (+) or decrease (-) in current interest-free payables	323.8	(936.8)
Cash flows from operations before financial items and taxes	(5,485.7)	(6,995.7)
Interest and other financial expenses paid	(140.9)	(32.4)
Cash flows from operating activities (A)	(5,626.6)	(7,028.1)
Cash flows from investing activities		
Investments in intangible and tangible assets	(147.8)	(310.0)
Cash flows from investments (B)	(147.8)	(310.0)
Cash flows from financing activities		
Share issue	6,765.3	7,700.3
Repayment of long-term loans (+)	(897.3)	1,116.7
Cash flows from financing activities (C)	5,868.0	8,817.0
Change in cash in hand and at banks	93.6	1,478.8
Cash in hand and at banks in the beginning of the period	8,027.9	6,549.1
Cash in hand and at banks at end of the period	8,121.5	8,027.9

Notes to the Parent Company Financial Statements

1. Accounting Principles

Principles of the Financial Statements

The Parent Company financial statements have been prepared in accordance with the Finnish Accounting Standards and according to the Nexstim Group accounting principles. Parent Company notes to the financial statements are presented where they differ from the notes of the Group consolidated financial statements.

Notes for Profit and Loss Account

2. Other Operating Income

	2017	2016
Other income	418,363.00	979,491.00
Government grants	63,000.00	0.00
Total	481,363.00	979,491.00

3. Financial Income and Expenses

	2017	2016
Other interest income and other financial income	891,114.11	851,677.50
Interest and other financial expenses	(1,619,923.24)	(23,004.45)
Total	(728,809.13)	828,673.05

Notes for Balance Sheet

4. Intangible Assets

Development Costs

	2017	2016
1 January	66,252.93	76,727.17
Increase	38,800.00	26,014.83
Planned depreciation	(34,554.47)	(36,489.07)
31 December	70,498.46	66,252.93

Intangible Rights (Patents)

	2017	2016
1 January	585,968.69	553,915.13
Increases	133,780.06	284,009.54
Planned depreciation	(249,711.00)	(251,955.98)
31 December	470,037.75	585,968.69

5. Tangible Assets

Machinery and Equipment

	2017	2016
1 January	246,162.83	328,217.15
Increase	10,000.00	0.00
Decrease	(34,777.95)	0.00
Planned depreciation	(55,346.23)	(82,054.32)
31 December	166,038.65	246,162.83

6. Investments

Holdings in Group Undertakings

Name	Domicile	%	Book value
Nexstim Inc.	United States of America	100%	635.72
Nexstim Ltd.	England	100%	1,260.80
Nexstim Germany GmbH	Germany	100%	407,000.00

Other Investments in Group Companies

Name	Investment	Book value
Nexstim Germany GmbH	Investment in unrestricted equity	382,000.00

Long-term Receivables from Group Companies

	2017	2016
Nexstim Inc. loan receivables	8,685,107.15	9,407,123.61
Nexstim Germany GmbH loan receivables	200,000.00	200,000.00
Nexstim Ltd loan receivables	116,428.13	110,046.42
Total	9,001,535.28	9,717,170.03

Other Shares

Name	Amount of shares	Book value
SalWe OY, Helsinki (T&H SHOK), (business ID 2283290-8)	200/1.92%	10,000.00

7. Short-Term Receivables from Group Companies

	2017	2016
Nexstim Inc. accounts receivables	1,648,613.62	901,456.69
Nexstim Germany GmbH accounts receivables	1,030,402.62	814,709.09
Nexstim Ltd accounts receivables	0.00	4,726.14
Nexstim Inc. interest receivables	1,711,813.04	1,055,585.20
Nexstim Germany GmbH interest receivables	20,033.09	20,413.87
Nexstim Ltd interest receivables	39,323.86	10,558.90
Total	4,450,186.23	2,807,449.89

8. Equity

	2017	2016
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	31,692,606.88	23,582,336.26
Increases	6,826,506.71	8,110,270.62
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	38,519,113.59	31,692,606.88
Retained earnings/(loss) 1 January	(14,960,704.19)	(11,434,051.49)
Adjustments for previous years	0.00	0.00
Translation difference	0.00	0.00
Profit/(Loss) for the period	(5,031,757.81)	(3,526,652.70)
Retained earnings/(loss) 31 December	(19,992,462.00)	(14,960,704.19)
Total unrestricted equity	18,526,651.59	16,731,902.69
Total equity	18,606,651.59	16,811,902.69

9. Payables to Group Companies

	2017	2016
Nexstim Inc. accounts payables	313,905.26	147,130.65
Total	313,905.26	147,130.65

10. Commitments

Leasing Liabilities

	2017	2016
Due within next financial year	1,524.00	1,548.00
Due later	3,048.00	1,548.00
Total	4,572.00	3,096.00

11. Guarantees

	2017	2016
Rent deposits	39,899.47	39,894.46
Total	39,899.47	39,894.46

Nexstim Plc

List of Accounting Books

31/12/2017

Accounting Books

Financial statements and notes for balance sheet	printed
List of accounts	cd-rom
General ledger	cd-rom
Ledger	cd-rom
Accounts Receivable	cd-rom
Accounts Payable	cd-rom

Voucher Categories and Filing Method

Category	Nbr begins	Filing method
LA Purchase invoice	1	paper vouchers cd-rom
MY Sales invoice	10,000	cd-rom
T1 Bank vouchers	30,000	paper vouchers
Bank statements		cd-rom
PA Payroll vouchers	50,000	paper vouchers
MU Others	60,000	paper vouchers
KA Vouchers	20,000	M2 expense claim

Nexstim Plc

Signing the Annual Statement

Helsinki 27/2/2018

Martin Jamieson
Chairman of the Board

Juliet Thompson
Deputy Chairman of the Board

Ken Charhut
Member of the Board

Rohan Hoare
Member of the Board

Tomas Holmberg
Member of the Board

Martin Jamieson
CEO

Auditor's Signature

Auditor's report has been given with this date:

Helsinki 27/2/2018

PricewaterhouseCoopers Oy, KHT-yhteisö

Martin Grandell
KHT



Report on the Audit of the Financial Statements

To the Annual General Meeting of Nexstim Plc

Opinion

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Nexstim Plc (business identity code 1628881-1) for the year ended 31 December 2017. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice 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 the financial statements.

As part of an audit in accordance with good auditing practice, 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 effectiveness of the parent company's or the group'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 the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 27 February 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell

Authorised Public Accountant (KHT)

www.nexstim.com

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