

# Nexstim

## Nexstim Plc

(a public limited company (in Swedish: *publikt aktiebolag*) incorporated under the laws of Finland)

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**Offering and listing on First North Finland and First North Sweden**  
**Up to 2,873,563 shares**  
**Additional share allotment up to 431,034 shares**  
**Indicative price range EUR 8.70–9.80 per share**

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Nexstim Plc ("**Company**") is offering up to 2,873,563 shares ("**Offer Shares**"). The Offer Shares will constitute up to 37.83 % of all shares in the Company (the "**Shares**") should the Offering be subscribed in its entirety. If the Offering is oversubscribed, the board of directors may increase the number of Offer Shares by an additional share allotment of up to 431,034 new shares ("**Additional Share Allotment**").

The Offering consists of an institutional offering ("**Institutional Offering**"), in which Offer Shares are offered to investors in both Finland and in Sweden as well as internationally provided fulfilment of local law requirements, a retail offering in Finland ("**Finnish Retail Offering**") in which Offer Shares are offered to the public in Finland and a retail offering in Sweden ("**Swedish Retail Offering**") in which Offer Shares are offered to the public in Sweden, as further defined under "*Terms and conditions of the Offering*" below, (together, the "**Offering**").

The initial price range in the Offering is EUR 8.70–9.80 per Offer Share ("**Indicative Price Range**"), applicable to all tranches. The board of directors of the Company will resolve on the number and allocation of the Offer Shares. The board of directors of the Company will also resolve on the final Offer Price ("**Offer Price**"). The final Offer Price will be announced by way of a company release upon the approval of the subscriptions and the allocation of the Offer Shares by the board of directors of the Company. The subscription period for the Offer Shares will commence on 15 October 2014 at 09:30 Finnish time (08:30 Swedish time), and is expected to end on 24 October 2014 at 16:30 Finnish time (15:30 Swedish time).

Pareto Securities Ltd ("**Pareto**") acts as Lead Financial Advisor and Joint Arranger to the Company and UB Securities Ltd ("**UB Securities**") acts as Financial Co-Advisor and Joint Arranger to the Company (Pareto and UB Securities together, "**Joint Arrangers**").

On the date of this Prospectus, the Shares in the Company are not being traded on a regulated market or on a multilateral trading facility. The Company intends to make an application to the Helsinki Stock Exchange to be processed at the Helsinki Stock Exchange and the Stockholm Stock Exchange to list (a) on First North Finland (i) the Offer Shares subscribed for in the Finnish Retail Offering, (ii) the Offer Shares subscribed for in the Institutional Offering and delivered through Euroclear Finland, and (ii) all other Shares of the Company that are not applied for listing on First North Sweden with trading symbol NXTMH; and (b) on First North Sweden (i) the Offer Shares subscribed for in the Swedish Retail Offering and (ii) the Offer Shares subscribed for in the Institutional Offering and delivered through Euroclear Sweden with trading symbol NXTMS (the listing to First North Finland and First North Sweden together the "**FN Listing**"). UB Capital Oy acts as Certified Advisor to the Company as required under the First North Nordic -Rulebook ("**Rules of First North**").

Trading in the Shares on First North Finland and on First North Sweden is expected to commence on or about 6 November 2014. The Offer Shares are expected to be registered with the Finnish Trade Register ("**Trade Register**") on or about 5 November 2014. The Offer Shares are expected to be delivered to the subscribers in the Finnish Retail Offering and the Institutional Offering through Euroclear Finland Ltd ("**Euroclear Finland**") on or about 6 November 2014, and to the subscribers in the Swedish Retail Offering and the Institutional Offering through Euroclear Sweden Ltd ("**Euroclear Sweden**") on or about 6 November 2014.

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*First North Finland and First North Sweden are alternative marketplaces operated by an exchange within the NASDAQ OMX group. Companies on First North Finland or First North Sweden are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on First North Finland or First North Sweden may therefore be higher than investing in a company on the main market. All companies with shares traded on First North Finland or First North Sweden have a Certified Adviser who monitors that the rules are followed. The Exchange approves the application for admission to trading.*

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In certain countries, such as Australia, South Africa, Hong Kong, Japan, Canada and the United States statutory limitations may apply to the distribution of this Prospectus and offering and selling of the Offer Shares. The Offering does not apply to persons resident in Australia, South-Africa, Hong Kong, Japan, Canada or the United States or in any other country where it would be prohibited by local laws or other regulations. This Prospectus or any other material relating to the Offering shall not be distributed or disseminated in any country without complying with the laws and regulations of such country. This Prospectus does not constitute an offer to issue Offer Shares to anyone in such country, where it would be prohibited by local laws or other regulations to offer shares to such person. The Offer Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S), unless registered under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws of the United States.

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**Investment in the Shares involves risks. The principal risk factors are discussed under "*Risk factors*" below.**

*Lead Financial Advisor and Joint Arranger*

 Pareto Securities

*Financial Co-advisor and Joint Arranger*



- SECURITIES -

*Certified Adviser*



## IMPORTANT INFORMATION

In connection with the Offering, the Company has prepared a Finnish-language prospectus (the "**Finnish-language Prospectus**") in accordance with the Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**"), Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended (the "**Prospectus Regulation**") (Annexes II, III, XXII and XXV) implementing Directive 2003/71/EC (the "**Prospectus Directive**") of the European Parliament and of the Council, as amended, as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, the Finnish Ministry of Finance Decree on prospectuses referred to in Chapters 3 to 5 of the Finnish Securities Markets Act (1019/2012) and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "**Finnish FSA**"). The Finnish FSA has approved the Finnish-language Prospectus; however, it is not responsible for the accuracy of the information presented therein or herein. The register number of the Finnish FSA's approval of the Finnish-language Prospectus is FIVA 86/02.05.04/2014. In accordance with the Prospectus Directive, a Swedish-language summary together with an English-language translation of the Finnish-language Prospectus will be passported by way of notification to the Swedish Financial Supervisory Authority (in Swedish: *Finansinspektionen*) (the "**Swedish FSA**") for use in Sweden.

In this Prospectus, "**Nexstim**" or the "**Company**" refers to Nexstim Plc and its consolidated subsidiaries, except where the context may otherwise require.

The Offering will be governed by the laws of Finland and any disputes arising in connection with the Offering will be settled by a court of competent jurisdiction in Finland.

This document is an unofficial English translation of the Finnish-language Prospectus and references to the "**Prospectus**" refer to the Finnish-language Prospectus. In the event of any discrepancies, the Finnish-language Prospectus shall prevail.

## NOTICE TO THE INVESTORS

No person is or has been authorised to give any information or to make any representation regarding the Offering other than those contained in this Prospectus and, if given or made, such information or representation must not be considered as having been so authorised. No representation or warranty, express or implied, is made by the Joint Arrangers as to the accuracy, completeness or verification of the information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Arrangers in this respect, whether as to the past or the future. The Joint Arrangers assumes no responsibility for the accuracy, completeness or verification of the information and, accordingly, disclaim to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Prospectus or any such statement.

The information contained herein is current as at the date of this Prospectus. Nothing contained in this Prospectus constitutes, or shall be relied upon as, a promise or representation by the Company or the Joint Arrangers as to the future. Neither the publication of this Prospectus nor the offer, sale or delivery of the Offer Shares based on this Prospectus, does not in any circumstances mean that no changes could occur in the Company's business after the date of this Prospectus or that the information contained in this Prospectus would hold true in the future. However, the Company has the obligation to supplement this Prospectus prior to the end of the offer period due to an error or omission of material information or material new information not included in this Prospectus, discovered prior to the end of the offer period, if information bears material significance to the investors. According to the law, such inaccurate, insufficient or new material information shall be published without undue delay by way of publishing a supplement to this Prospectus in the same manner as this Prospectus. The investors are advised to follow the company releases published by the Company.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved. Neither the Company nor the Joint Arrangers, nor any of their respective affiliates or representatives, is making any representation to any offeree, subscriber or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. The investors should, based on their own assessment, consult their own advisers before subscribing for the Offer Shares. Investors need to make their independent assessment of the legal, tax, business, financial and other consequences of subscription for the Offer Shares. They also need to make their independent assessment of the risks involved in subscription of the Offer Shares. Any tax consequences arising from an investor's participation in the Offering will be solely on account of such investor.

The Joint Arrangers are acting exclusively for the Company and no-one else in connection with the Offering. It will not regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to the Offering. The Joint Arrangers will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

In connection with the Offering, each Joint Arranger and any of its respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to shares being offered should be read as including any offering of the Offer Shares to the Joint Arrangers or any of its respective affiliates acting in such capacity. The Joint Arrangers do not intend to disclose the extent of such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, the Joint Arrangers or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Joint Arrangers (or their affiliates) may from time to time acquire, hold or dispose of Shares.

In a number of countries the distribution of this Prospectus, the offer of the Offer Shares, as well as the sale of the Offer Shares, is subject to restrictions imposed by law (such as registration, admission, qualification and other regulations). The offer to subscribe for the Offer Shares does not include persons resident in any jurisdictions where such an offer would be illegal. No action has been or will be taken by the Company or the Joint Arrangers to permit a public offering or the possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Offering) in any jurisdiction where such distribution may otherwise lead to a breach of any law or regulatory requirement.

Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company and the Joint Arrangers recommend persons into whose possession this Prospectus comes to inform themselves of and to observe all such restrictions. Neither the Company nor the Joint Arrangers accepts any legal responsibility for persons who have obtained this Prospectus in violation of these restrictions, irrespective of whether these persons are prospective subscribers or purchasers of the Offer Share. This Prospectus does not constitute an offer to sell the Offer Shares to any person in any jurisdiction in which it is unlawful to make such offer to such person, or a solicitation of an offer to buy the Offer Shares from a person in a jurisdiction in which it is unlawful to make such solicitation.

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## SUMMARY

Summaries are made up of disclosure requirements set out in Annex XXII of the Prospectus Directive known as "**Elements**". These Elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in the summary for this type of securities and the Company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and the Company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

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### Section A – Introduction and warnings

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A.1	Warning	<i>This summary should be read as introduction to this Prospectus. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole by the potential investor. Certain terms used in this summary are defined elsewhere in this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the applicable national legislation, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares.</i>
A.2	Consent for financial intermediaries	Not applicable.

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### Section B – The Company

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B.1	Legal and commercial name	The registered name of the issuer is Nexstim Oyj (the " <b>Company</b> ") (in Swedish Nexstim Abp and in English Nexstim Plc).
B.2	Domicile, legal form, legislation and country of incorporation	The Company is a public limited company (in Swedish: <i>publikt aktiebolag</i> ) 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.
B.3	Current operations and principal activities	<p>Nexstim is a medical technology company aiming to improve rehabilitation for stroke patients through the use of noninvasive brain stimulation. The Company has developed a technology which allows noninvasive targeting of a specific area of the brain with high accuracy. Nexstim has pioneered the technology as a diagnostic tool for brain surgery planning with its Navigated Brain Stimulation (NBS) System. The NBS System is the first and only Food and Drug Administration (FDA) cleared and CE-marked device utilising so-called navigated transcranial magnetic stimulation (nTMS) for mapping of the motor and speech cortices. Based on the same technology platform the Company has developed a device for stroke therapy called Navigated Brain Therapy (NBT) System which focuses stimulation on targeted locations in the brain to enhance and accelerate stroke rehabilitation by removing natural barriers for recovery.</p> <p>With its NBT System the Company is initially focusing on the rehabilitation of hand and arm movement (upper limb motor disability) which is one of the most common symptoms following a stroke. The NBT System was tested in a Phase II proof of concept clinical trial, in which promising levels of improvement in motor functions lasting throughout a 6-month observation period were achieved. Nexstim has earlier this year initiated a two-year clinical Phase III trial at 12 prominent rehabilitation sites in the US, aiming to demonstrate the effectiveness of the NBT System and to obtain an FDA clearance for marketing the device for post-acute stroke treatment in the US. Nexstim is currently preparing a pre De Novo submission for the FDA. If an FDA clearance for the NBT System is obtained, the Company may begin the commercialisation of the device for use in stroke rehabilitation.</p> <p>Nexstim's NBT System is currently in the development and pre-commercialisation phase and the Company has no material revenue at the moment. The Company is</p>

currently producing clinical evidence of the efficacy of the NBT System treatment in the Phase III multi-centre trial. The Company expects that the rehabilitation centres participating in the multi-centre trial would be early adopters of the NBT System after the trial is completed.

Nexstim's NBS System, which is used for pre-surgical diagnostics, is currently in the pre-commercialisation stage. Sales and marketing efforts of Nexstim's NBS System have primarily been targeted on universities and teaching hospitals with strong key opinion leader (KOL) presence in the fields of neurosurgery and radiology.

As at the date of this Prospectus Nexstim has sold approximately 120 NBS Systems, out of which 40 are for clinical use and 80 for scientific research purposes according to the Company's estimation. Nexstim's revenues for the past two years have been generated from the sales of its NBS Systems and from after sales activities such as training, maintenance and the sale of spare and consumable parts.

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

B.4a	Significant recent trends affecting the Company and the industry in which it operates	Nexstim's devices are in a transition from research phase to clinical use. Currently there are no direct competitors for Nexstim's devices but there are companies that may become competitors in the future. In addition, there are indirect competitors on the market who offer alternative diagnostic and therapeutic methods, and whose solutions may gain significant market shares on Nexstim's target markets in the future. Nexstim is a developer of navigated TMS devices and currently the only company with clinical proof of treatment of motor and speech cortices with NBS devices and FDA clearance for their selling and marketing. The Company's ability to become successful will at least in part depend on its ability to convince the medical community of the advantages of its devices as well as on its ability to promote changing existing diagnostic, therapy and treatment practices in a direction and extent favourable for Nexstim's products.
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B.5	Group structure	Nexstim Plc is the parent company of Nexstim group of companies. The Company carries our business operations in its own name and behalf as well as through its wholly-owned subsidiaries Nexstim Inc. and Nexstim Germany GmbH.
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B.6	Major shareholders	As at the date of this Prospectus the Company has 22 shareholders. The following table lists the eight largest shareholders and their proportionate ownerships.
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Shareholder	Number of Shares	Ownership*
HealthCap V, L.P.**	1,673,092	35.43 %
The Finnish Innovation Fund Sitra	1,281,087	27.13 %
Capricorn Health-Tech Fund NV	508,472	10.77 %
LSP III Omni Investment Coöperatief U.A.	414,462	8.78 %
Lundbeckfond Ventures	255,738	5.42 %
Ilmarinen Mutual Pension Insurance Company	213,108	4.51 %
Finnish Industry Investment Ltd	163,212	3.46 %
Risto Ilmoniemi	75,111	1.59 %
Other shareholders	138,137	2.93 %
<b>In total</b>	<b>4,722,419</b>	<b>100 %</b>

\* Proportion calculated on the total number of the Shares issued as at the date of this Prospectus excluding the dilution of the ownership caused by the issued and outstanding options.

\*\* HealthCap V, L.P.'s holds the Shares directly and through its controlled entity OFP V Advisor AB.

The Company has one class of shares. Each Share entitles to one vote at the general meeting of the Company.

To the extent known to the Company, the Company is not directly or indirectly owned or controlled by any shareholder. The Company is neither aware of any arrangement the operation of which may result in a change in control of the Company.

B.7	Selected historical key financial information	The following tables present selected consolidated financial information of the Company for the financial years ended on 31 December 2013 and 2012 and selected consolidated financial information for the six months' period ended on 30 June 2014 and 30 June 2013. The Company's audited consolidated financial statements as at and for the years ended 31 December 2013 and 31 December 2012 have been prepared in accordance with the Finnish Accounting Standards and unaudited half-yearly reports as at and for the six-month period ended 30 June 2014, including unaudited comparative financial information as at and for the six-month period ended 30 June 2013 have been prepared in accordance with the Finnish Accounting Standards and presented in accordance with section 4.6. e in the Rules of First North.
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The selected financial information below does not contain all the information included in the Company's consolidated financial statements or the half-yearly reports.

## Consolidated income statement

EUR in thousands	1 January – 30 June		1 January – 31 December	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>NET SALES</b>	413.9	499.3	1,871.0	3,190.4
Work performed for own purpose and capitalised	17.5	16.7	33.2	48.5
Other operating income	28.7	12.5	75.1	472.7
<b>Materials and services</b>				
<b>Materials</b>				
Purchases during the financial year	34.0	-165.9	-575.7	-827.3
Variation in inventories additions (+) or disposal (-)	-158.9	-145.6	-85.2	28.0
Services	-	-	-0.1	-1.1
<b>Total</b>	<b>-125.0</b>	<b>-311.5</b>	<b>-661.0</b>	<b>-800.4</b>
<b>Personnel expenses</b>				
Wages and salaries	-1,307.7	-1,293.9	-2,558.9	-2,589.8
<b>Social security expenses</b>				
Pension expenses	-157.4	-166.9	-309.2	-358.6
Other social security expenses	-176.8	-90.1	-175.2	-134.3
<b>Total</b>	<b>-1,641.9</b>	<b>-1,550.9</b>	<b>-3,043.4</b>	<b>-3,082.6</b>
<b>Depreciation, amortisation and impairments</b>				
Depreciation and amortisation according to plan	-125.3	-141.7	-237.7	-305.9
<b>Total</b>	<b>-125.3</b>	<b>-141.7</b>	<b>-237.7</b>	<b>-305.9</b>
Other operating expenses	-1,672.3	-1,068.3	-2,472.0	-2,140.3
<b>OPERATING PROFIT / -LOSS</b>	<b>-3,104.3</b>	<b>-2,543.9</b>	<b>-4,434.7</b>	<b>-2,617.7</b>
Financial income and expenses				
Other interest and financial income	0.0	0.4	0.4	2.5
Interest and other financial expenses	-2,023.0	-4.7	-80.6	-83.7
<b>Total</b>	<b>-2,023.0</b>	<b>-4.4</b>	<b>-80.2</b>	<b>-81.3</b>
<b>PROFIT / - LOSS FOR THE FINANCIAL YEAR</b>	<b>-5,127.3</b>	<b>-2,548.2</b>	<b>-4,514.9</b>	<b>-2,699.0</b>

## Consolidated balance sheet

EUR in thousands	30 June		31 December	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>				
Development expenditure	98.9	94.6	107.7	154.5
Intangible rights	366.1	274.6	323.6	258.5
<b>Total</b>	<b>465.0</b>	<b>369.2</b>	<b>431.4</b>	<b>413.0</b>
<b>Tangible assets</b>				
Machinery and equipment	560.1	65.9	55.6	72.8
<b>Total</b>	<b>560.1</b>	<b>65.9</b>	<b>55.6</b>	<b>72.8</b>
<b>Investments</b>				
Other shares and similar rights of ownership	10.0	10.0	10.0	10.0
<b>Total</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>NON-CURRENT ASSETS TOTAL</b>	<b>1,035.0</b>	<b>445.1</b>	<b>497.0</b>	<b>495.8</b>
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
Raw materials and consumables	177.6	276.1	336.5	393.3
<b>Total</b>	<b>177.6</b>	<b>276.1</b>	<b>336.5</b>	<b>393.3</b>
<b>Receivables</b>				
Trade receivables	197.9	217.4	871.3	909.5
Prepayments and accrued income	39.5	33.4	163.0	106.8
Other receivables	77.7	78.8	169.6	103.0
<b>Total</b>	<b>315.1</b>	<b>329.6</b>	<b>1,203.9</b>	<b>1,119.3</b>
Cash in hand and at banks	1,522.1	968.5	1,010.0	1,954.5
<b>CURRENT ASSETS TOTAL</b>	<b>2,014.8</b>	<b>1,574.2</b>	<b>2,550.4</b>	<b>3,467.1</b>
<b>ASSETS TOTAL</b>	<b>3,049.9</b>	<b>2,019.3</b>	<b>3,047.4</b>	<b>3,962.9</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	31,991.5	28,570.7	28,570.7	28,570.7
Share Issue	1,812.2	964.2	1,775.3	0.0
Share premium account	63.2	63.2	63.2	63.2
Reserve for invested unrestricted equity	0.1	0.1	0.1	0.1
Retained earnings / -loss	-32,817.1	-28,340.2	-28,276.5	-25,630.2
Profit / -loss for the financial year	-5,127.3	-2,548.2	-4,514.9	-2,699.0
<b>TOTAL EQUITY</b>	<b>-4,077.3</b>	<b>-1,290.3</b>	<b>-2,382.1</b>	<b>304.8</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Capital loans	1,503.1	500.0	1,503.1	500.0
Other interest-bearing loans	2,830.2	2,081.2	2,604.4	1,774.2
Deferred income	82.6	118.0	94.4	118.0
<b>Total</b>	<b>4,415.9</b>	<b>2,699.2</b>	<b>4,201.9</b>	<b>2,392.2</b>
<b>CURRENT LIABILITIES</b>				
Other interest-bearing loans	-	-	-	307.0
Deferred income	15.0	-	45.0	0.0
Trade payables	402.9	266.6	739.0	329.1
Other liabilities	2,093.9	150.9	96.9	76.8
Accrued expenses	199.5	193.0	346.7	553.0
<b>Total</b>	<b>2,711.3</b>	<b>610.4</b>	<b>1,227.6</b>	<b>1,266.0</b>
<b>TOTAL LIABILITIES</b>	<b>7,127.2</b>	<b>3,309.6</b>	<b>5,429.5</b>	<b>3,658.1</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>3,049.9</b>	<b>2,019.3</b>	<b>3,047.4</b>	<b>3,962.9</b>



## Consolidated Cash Flow Statement, summary

	1 January – 30 June		1 January – 31 December	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities	-2,508.1	-1,859.2	-3,983.7	-3,075.5
Cash flows from investing activities	-663.3	-91.0	-238.9	-216.7
Cash flows from financing activities	3,683.5	964.2	3,278.1	1,107.8
Change in cash in hand and at bank	512.2	-986.0	-944.5	-2,184.3
Cash in hand and at bank in the beginning of the period	1,010.0	1,954.5	1,954.5	4,138.8
Cash in hand and at bank at end of the period	1,522.1	968.5	1,010.0	1,954.5

## Key performance indicators

EUR in thousands	1 January – 30 June		1 January – 31 December	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited, unless otherwise indicated)	
Net sales	413.9	499.3	1,871.0	3,190.4
Personnel expenses	-1,641.9	-1,550.9	-3,043.4	-3,082.6
Depreciation and amortisation	-125.3	-141.7	-237.7	-305.9
Other operating expenses	-1,672.3	-1,068.3	-2,472.0	-2,140.3
Profit/ -Loss for the period	-5,127.3	-2,548.2	-4,514.9	-2,699.0
Earnings per share (EUR)**	-20.15	-13.44	-22.84*	-14.24*
Cash flows from operating activities	-2,508.1	-1,859.2	-3,983.7*	-3,075.5*
Cash in hand and at banks	1,522.1	968.5	1,010.0	1,954.5
Total equity	-4,077.3	-1,290.3	-2,382.1	304.8
Equity ratio (%)	-87.19	-41.56	-30.23*	20.93*

\* Unaudited

\*\*The effect of the share issue without consideration on 29.9.2014 (split) not accounted for.

$$\begin{aligned} \text{Earnings per share} &= \frac{\text{Profit/ -Loss for the period}}{\text{Average number of shares}} \\ \text{Equity ratio (\%)} &= \frac{\text{Total equity} + \text{Capital loans}}{\text{Total assets} - \text{Advances received}} \times 100 \end{aligned}$$

## Recent development and material changes in financial position

The following measures have been taken after the half-yearly report for the six-month period ended on 30 June 2014.

- The Company had three targeted share issues in May 2014, one of which was subscribed for and paid in July 2014. In this share issue the Company issued 1,458 the then new E-shares to existing shareholders and raised EUR 67.7 thousand as subscribed share capital.
- Certain shareholders of the Company subscribed new capital loan to finance the Company. The subscription amounted to EUR 1,350.0 thousand.
- Based on the unanimous resolution made by the shareholders on 29 September 2014, the Company has issued 333,587 new shares to convert the principal amount of the existing capital loan into equity. The principal of the loan amounted to EUR 3,009.3 thousand of which EUR 1,003.1 thousand had been classified as capital loan and EUR 2,006.2 thousand as other liabilities as at 30 June 2014.
- The shareholders made a unanimous resolution on 29 September 2014 to reduce the share capital and the share premium account. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand.

The cash in hand and at banks of the Company were EUR 1,169.4 thousand as at 30 September 2014. The cash in hand and at banks have decreased EUR 352.8 thousand from 30 June 2014. The decrease is due to inter alia the costs of the Phase III multi-centre trial. The capital loan in the amount of EUR 1,350.0 thousand described above has been drawn to cover the expenses.

After 30 June 2014 the Company has continued sales of NBS Systems and delivered new NBS Systems. Simultaneously, the Phase III multi-centre trial has proceeded according to the plan and the direct costs in relation to the trial have not significantly deviated from the Company's previous estimations. During the same period, no material changes have occurred in other operating costs.

Company has received a first order for a NBT System from a private rehabilitation centre in Finland in September 2014.

Mikko Karvinen was appointed as CFO of the Company as of 18 August 2014.

The shareholders made on 29 September 2014 a resolution to convert Nexstim to a public limited company.

B.8 Selected key pro  
forma financial  
information

**Summary of the pro forma information**

The following unaudited pro forma financial information ("**pro forma**", "**pro forma information**") is presented to illustrate the financial impact of the following capital reorganisation measures taken after 30 June 2014 (together the "**Capital reorganisation measures**"):

- The Company had three targeted share issues in May 2014, one of which was subscribed for and paid in July 2014. In this share issue the Company issued 1,458 the then new E-shares to existing shareholders and raised EUR 67.7 thousand as subscribed share capital.
- Certain shareholders of the Company subscribed new capital loan to finance the Company in September 2014. The subscription amounted to EUR 1,350 thousand.
- Based on the unanimous resolution made by the shareholders of the Company 29 September 2014, the Company issued 333,587 new Shares to convert a capital loan from certain shareholders into equity. The principal amount of the loan amounted to EUR 3,009.3 thousand of which EUR 1,003.1 thousand were classified as capital loan and EUR 2,006.2 as other current liabilities on the balance sheet as at 30 June 2014.
- The unanimous resolution made by the shareholders of the Company 29 September resolved to reduce the share capital and the share premium account of the Company. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand.

This unaudited pro forma information is presented for illustrative purposes only. The pro forma adjustments are based upon the Capital reorganisation measures executed in July–September 2014. The unaudited pro forma information illustrates what the hypothetical impact would have been if the capital reorganisation measures had been executed at an earlier point of time, and, therefore, does not present the actual financial position of the Company as of any future date.

The pro forma information has been compiled in accordance with the Annex II of Prospectus Regulation and on the basis consistent with the accounting policies applied by the Company.

***Pro forma periods***

The pro forma consolidated balance sheet as at 30 June 2014 has been compiled assuming that the Capital reorganisation measures had been completed on 30 June 2014. The capital reorganisation measures do not have an impact on the consolidated income statement of the Company.

***Historical financial information***

The pro forma information presented is based on the information derived from the unaudited half-yearly report as at and for the six-month period ended 30 June 2014 that has been included into this Prospectus. The pro forma information presented herein should be read in conjunction with the historical audited consolidated financial statements and the unaudited half-yearly report.

## Pro Forma Balance Sheet as at 30 June 2014

EUR in thousands	Nexstim Group	Pro forma adjustments	Nexstim Pro Forma
	(Unaudited)	(Unaudited)	(Unaudited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Development expenditure	98.9	-	98.9
Intangible rights	366.1	-	366.1
<b>Total</b>	<b>465.0</b>	<b>-</b>	<b>465.0</b>
<b>Tangible assets</b>			
Machinery and equipment	560.1	-	560.1
<b>Total</b>	<b>560.1</b>	<b>-</b>	<b>560.1</b>
<b>Investments</b>			
Other shares and similar rights of ownership	10.0	-	10.0
<b>Total</b>	<b>10.0</b>	<b>-</b>	<b>10.0</b>
<b>NON-CURRENT ASSETS TOTAL</b>	<b>1,035.0</b>	<b>-</b>	<b>1,035.0</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables	177.6	-	177.6
<b>Total</b>	<b>177.6</b>	<b>-</b>	<b>177.6</b>
<b>Receivables</b>			
Trade receivables	197.9	-	197.9
Prepayments and accrued income	39.5	-	39.5
Other receivables	77.7	-	77.7
<b>Total</b>	<b>315.1</b>	<b>-</b>	<b>315.1</b>
Cash in hand and at banks	1,522.1	1,417.7	2,939.8
<b>CURRENT ASSETS TOTAL</b>	<b>2,014.8</b>	<b>1,417.7</b>	<b>3,432.5</b>
<b>ASSETS TOTAL</b>	<b>3,049.9</b>	<b>1,417.7</b>	<b>4,467.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	31,991.5	-31,911.5	80.0
Share Issue	1,812.2	-1,812.2	0.0
Share premium account	63.2	-63.2	-
Reserve for invested unrestricted equity	0.1	3,009.3	3,009.4
Retained earnings / -loss	-32,817.1	29,858.8	-2,958.3
Profit / -loss for the financial year	-5,127.3	3,995.9	-1,131.5
<b>TOTAL EQUITY</b>	<b>-4,077.3</b>	<b>3,077.0</b>	<b>-1,000.3</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Capital loans	1,503.1	346.9	1,850.0
Other interest-bearing loans	2,830.2	-	2,830.2
Deferred income	82.6	-	82.6
<b>Total</b>	<b>4,415.9</b>	<b>346.9</b>	<b>4,762.8</b>
<b>CURRENT LIABILITIES</b>			
Deferred income	15.0	-	15.0
Trade payables	402.9	-	402.9
Other liabilities	2,093.9	-2,006.2	87.7
Accrued expenses	199.5	-	199.5
<b>Total</b>	<b>2,711.3</b>	<b>-2,006.2</b>	<b>705.1</b>
<b>TOTAL LIABILITIES</b>	<b>7,127.2</b>	<b>-1,659.3</b>	<b>5,467.9</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>3,049.9</b>	<b>1,417.7</b>	<b>4,467.5</b>

B.9 Profit forecast or estimate Based on its business forecast and sensitivity analysis the Company expects its operating profit to be positive during second half of the financial year 2017 at earliest.

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The expected profitability during the forecast period is based on following management estimates and assumptions:

- a) Net sales from the sale of NBS Systems (Pre-Surgical Mapping, PSM) will grow significantly during financial years 2015 - 2017. The growth is based on the success in execution of the health economics model.
- b) NBT System's (Navigated Brain Therapy, NBT) Phase III trials will progress as planned. Expenses related to the Phase III trials are estimated based on the assumption that the trials end as planned during financial year 2016.
- c) NBT System's pre-commercialisation phase plans will progress as planned. Expenses related to the pre-commercialisation are estimated based on assumption that the trials end as planned during financial year 2016.
- d) No net sales from NBT Systems is expected to be generated in the conservative business forecast by the end of financial year 2017, hence the expenses related to the commercialisation of the NBT System have not been taken into account in the estimation.

The management of the Company can primarily influence on the items a) and c) presented above. Efforts to the sales of the NBS System may be increased, for example by increasing the number of salespersons and marketing efforts, and by changing the pricing or the business model. These factors can have an impact on the health economics model. Provided that the NBT System's multi-centre trial proceeds according to the plan, the management of the Company can invest in the pre-commercialisation plan in a manner to ensure their fulfilment.

The items b) and d) above are mainly outside the management's influence. The Phase III multi-centre trial of the NBT System is carried out by third parties and the Company is not able to influence the results of the trials. In order to generate revenue from the NBT System, it is likely that the other assumptions above need to be fulfilled as anticipated.

There are several uncertainties relating to the Company's future prospects. The most significant uncertainties are, in relation to the sales of the NBS System, the financial position of the customers, the sufficiency of the Company's sales and marketing resources and success in their activities, delays in obtaining clinical research results or the lack of sufficient additional research and obtaining reimbursement coverage for the treatment in line with the health economics model. In relation to the NBT System, the Phase III multi-centre trial may be unsuccessful and the FDA clearance may not be obtained in the anticipated extent or in the estimated time frame or at all. In addition, the costs of the trial may increase or turn out higher than estimated.

The Company intends to finance its business operations until the second half of the financial year 2017 based on the above estimates and assumptions with the net proceeds received from the Offering. The Company expects to receive funds in aggregate of EUR 18–22 million as net proceeds from the Offering. Subscriptions made by setting off the capital loan issued in September 2014 have not been deducted from such proceeds. If the net proceeds received from the Offering are less than expected and the Offering and FN Listing are completed, the Company may need additional financing which it intends to obtain to the extent required with other debt or equity financing.

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B.10	Qualifications in audit reports	Not applicable.
B.11	Working capital statement	<p>The Company estimates that it does not have sufficient working capital to meet its current needs i.e. for a period of at least 12 months as of the date of this Prospectus or as of the date of the FN Listing. This is due to the estimated costs accruing in relation to the Phase III multi-centre trial of the Company's NBT System during the following twelve months. Based on a conservative revenue forecast and expense estimate, the Company believes that an aggregate amount of EUR 10 million is sufficient to cover its working capital deficiency for at least the aforementioned 12 month period. The Company's current working capital suffices until mid-November 2014.</p> <p>The Company is carrying out the Offering, among other things, for the purposes of ensuring sufficient working capital. Company is of the opinion that if the Offering is completed in the intended timetable and if the proceeds of the Offering are at least the EUR 15 million required for the completion of the Offering (see "<i>Description of the Offering terms – General terms of the Offering – Conditional Offering</i>"), the proceeds from the Offering (together with the Company's available cash in hand and at banks) provide the Company with sufficient working capital to meet its current requirements</p>

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and to cover the working capital needs of EUR 10 million for a period of at least 12 months as of the date of this Prospectus or as of the date of the FN Listing.

If the Offering is not completed at all, the Company aims to seek additional debt or equity financing or adjust its cost structure, primarily by decreasing its fixed expenses, such as personnel expenses, and, if necessary, by postponing or suspending the Phase III multi-centre trial and the accrual of expenses related thereto. If additional financing is not obtained, the Company may meet financial difficulties.

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### Section C – The Offer Shares

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C.1	Type and class of securities	The Company has one class of shares. ISIN code of the Shares is FI4000102678.
C.2	Currency	<p>Shares in the Company are denominated in euro.</p> <p>The Offer Shares in the Finnish Retail Offering and in the Institutional Offering delivered in Finland will be payable in euro. The Shares admitted to trading on First North Finland will be traded and settled in euro.</p> <p>The Offer Shares in the Swedish Retail Offering will be payable in Swedish krona. Offer Shares delivered through Euroclear Sweden to investors in the Institutional Offering will be payable in Swedish krona or euro at the request of the investor. The Shares admitted to trading on First North Sweden will be traded and settled in Swedish krona.</p>
C.3	Shares and share capital	The fully paid-up share capital of Nexstim as at the date of this Prospectus is 80,000 euro, representing 4,722,419 Shares issued and outstanding. The Shares do not have a nominal value. Nexstim has one class of shares.
C.4	Description of the rights attaching to the securities	<p>Rights attaching to the Company's Shares are determined on the basis of the Finnish Companies Act and other legislation prevailing in Finland from time to time. Rights attaching to the Shares include the right to participate in the general meeting of the Company and to vote at such meeting. Each Share entitle to one vote at the general meeting.</p> <p>All Shares entitled to equal financial rights, including right to dividends and other distribution of funds by the Company. Under the Finnish Companies Act a shareholder has a pre-emptive right to subscribe for additional shares issued by the company in proportion to existing ownership, unless the resolution relating to the relevant share issue otherwise determines.</p> <p>A redemption right and obligation as set out in the Finnish Companies Act is attached to the Company's Shares. Under the Finnish Companies Act, a shareholder with shares representing more than nine tenths of all shares and voting rights attached to all shares in a company has the right to redeem remaining shares in such company for fair value. In addition, any minority shareholder that possesses shares that may, pursuant to the Finnish Companies Act, require such majority shareholder to redeem its shares.</p> <p>The Offer Shares entitle its holder to all dividends and other shareholder rights in the Company upon registration of the Offer Shares in the Finnish Trade Register. The Offer Shares are expected to be registered in the Trade Register on or about 5 November 2014.</p>
C.5	Restrictions on free transferability	Not applicable; the Shares in the Company are freely transferable.
C.6	Admission	<p>The Company intends to make an application to the Helsinki Stock Exchange to be processed at the Helsinki Stock Exchange and the Stockholm Stock Exchange to list a) on First North Finland (i) the Offer Shares issued and allotted in the Finnish Retail Offering, (ii) the Offer Shares issued and allotted in the Institutional Offering and delivered through Euroclear Finland, and (ii) all other Shares of the Company that are not applied for listing on First North Sweden; and b) on First North Sweden (i) the Offer Shares issued and allotted for in the Swedish Retail Offering and (ii) the Offer Shares issued and allotted in the Institutional Offering and delivered through Euroclear Sweden.</p> <p>The trading symbol on First North Finland is expected to be NXTMH, and on First North Sweden, NXTMS. The Company expects trading to commence on First North Finland and on First North Sweden on or about 6 November 2014. The Company will apply for the primary listing to be on First North Finland and for the secondary listing to be on First North Sweden.</p>

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C.7	Dividend policy	<p>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. Further, the Company has reduced its share capital for loss coverage on 29 September 2014. Therefore, pursuant to the Finnish Companies Act, all distributions of unrestricted equity to the shareholders by the Company are subject to a three months' public summons to the creditors until 3 October 2017.</p> <p>In the event dividends are distributed, all Shares entitle to equal dividends.</p>
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## Section D – Risks

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D.1	<p>Key information on the key risks specific to the Company and its industry</p>	<p>Risks relating to the Company and its business operations</p> <ul style="list-style-type: none"> <li>• <i>The Company has a history of operating losses and the operations may never become profitable</i></li> <li>• <i>The Company's working capital is not sufficient to meet Company's requirements</i></li> <li>• <i>The Company and its products are in the development phase</i></li> <li>• <i>The Company may not be able to carry through the NBT System's Phase III multi-centre trial in the estimated schedule or budget, finalise the trial or the trial may not show clinical efficiency</i></li> <li>• <i>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</i></li> <li>• <i>The Company may not be able to get the estimated reimbursement codes and reimbursement coverage</i></li> <li>• <i>Healthcare providers and hospitals may not adopt the Company's technology and treatment modality in the estimated manner or extent</i></li> <li>• <i>The Company's operations may be interrupted due to problems associated with its suppliers</i></li> <li>• <i>The Company may not be able to maintain the required certifications and approvals</i></li> <li>• <i>The Company may not be able to sufficiently protect or enforce intellectual property rights</i></li> <li>• <i>The Company may infringe third part intellectual property rights or claims may be made against the Company on such infringements</i></li> <li>• <i>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</i></li> <li>• <i>The expected income from capitalised development costs and intangible rights may prove to be weaker than expected</i></li> <li>• <i>Development of the financial condition of group companies may be weaker than expected</i></li> <li>• <i>The Company may not be able to utilise all tax losses incurred</i></li> <li>• <i>The Company's unaudited pro forma financial information may not accurately reflect the financial position of the Company during future reporting periods</i></li> <li>• <i>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</i></li> <li>• <i>The Company may become subject to product liability claims and other claims</i></li> <li>• <i>The Company may in the future be involved in litigation and arbitration proceedings</i></li> <li>• <i>The Company may be adversely affected by financial difficulties or bankruptcy of one or more of its customers, partners, supplier or other counterparty</i></li> <li>• <i>The Company is reliant on its information systems</i></li> <li>• <i>The Company is reliant on its ability to recruit and retain relevant key personnel</i></li> </ul>
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- *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*

D.3	Risks relating to the Securities	<p>Risks relating to the Offering and the Shares</p> <ul style="list-style-type: none"> <li>• <i>The Offering may not be fully subscribed for or the FN Listing may not occur in the contemplated time schedule or at all</i></li> <li>• <i>Subscriptions are irrevocable, except under certain limited circumstances</i></li> <li>• <i>The Company's concentrated ownership could affect the market price and liquidity of the Shares; the Company's majority shareholders can significantly 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</i></li> <li>• <i>An active public market for shares in the Company may not develop, which may lead to price volatility and the lack of liquidity, in particular on First North, and the market price is subject to fluctuations in the exchange rates</i></li> <li>• <i>The market price of the Offer Shares could fluctuate considerably and the price of the Offer Shares could fall below the subscription price</i></li> <li>• <i>Holder of Shares in the Company registered in custodial nominee accounts may not be able to exercise their voting rights</i></li> <li>• <i>The amount of possible future dividends to be distributed to shareholders is uncertain</i></li> <li>• <i>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</i></li> <li>• <i>Investors in the Swedish Retail Offering may be adversely affected by fluctuations in foreign exchange rates</i></li> </ul>
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## Section E – The Offer

E.1	Net proceeds and costs of the offer	<p>The Company expects that the total proceeds of the Offering are at maximum EUR 25 million based on the maximum number of Offer Shares (2,873,563 Shares) and the low point of the Indicative Price Range (EUR 8.70). The Company expects to receive net proceeds from the issuance of the Offer Shares of approximately EUR 18–22 million, after deducting estimated offering expenses payable by the Company of approximately EUR 2–3 million, in the aggregate. Subscriptions made by setting off the capital loan issued in September 2014 have not been deducted from such proceeds. If the Additional Share Allotment is exercised in full, Nexstim will receive additional net proceeds of approximately EUR 3.5 million, after deducting estimated offering costs and expenses.</p>
E.2a	Reasons for the offering and use of proceeds	<p>Nexstim's shareholders and board of directors believe that it is now an appropriate time to broaden the shareholder base and to apply for the listing of the Company's Shares on First North Finland and First North Sweden. The Offering is expected to support the growth and operational strategy of the Company. Nexstim also expects that the FN Listing of the Shares will increase the public profile of the Company and its business, and provide Nexstim with improved access to capital markets and a diversified base of new Nordic and international shareholders. The Company believes that these factors</p>

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will further enhance its position in the Finnish and Swedish market and provide the appropriate platform for its future development and access to capital for its NBT System's commercialisation phase if the FDA clearance for marketing the device for stroke therapy is obtained.

Nexstim expects to use the net proceeds from the sale of the Offer Shares in the Offering to fund the Company's next development stage through to the end of the Phase III multi-centre trial and FDA clearance for marketing the NBT System for stroke therapy, expected to take place in the end of 2016.

In particular, Nexstim intends to use the proceeds of the Offering to:

- finance the ongoing Phase III two year multi-centre trial of the use of the Company's NBT System in stroke therapy; currently conducted at 12 prominent rehabilitation sites in the US;
- pursue regulatory clearances, including but not limited to the FDA De Novo 510(k) clearance for marketing the NBT System for stroke therapy;
- execute pre-commercial activities for the NBT System for post-acute stroke therapy and business development for the NBS System for diagnostics;
- explore other potential research indications for example pain and tinnitus; and
- general corporate purposes.

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E.3 Terms and conditions of the offer

### **Description of the Offering terms**

#### ***General terms of the Offering***

The Company offers up to 2,873,563 new Shares in the Company ("**Offer Shares**") for subscription ("**Offering**"). The Offering consists of:

- a) An institutional offering ("**Institutional Offering**"), in which Offer Shares are offered to investors in both Finland and in Sweden as well as internationally provided fulfilment of local law requirements.
- b) A retail offering in Finland ("**Finnish Retail Offering**"), in which Offer Shares are offered to the public in Finland.
- c) A retail offering in Sweden ("**Swedish Retail Offering**"), in which Offer Shares are offered to the public in Sweden.

#### ***Number of Offer Shares and Additional Share Allotment***

The number of Offer Shares to be issued in the Offering will be determined on the basis of a book-building process in the Institutional Offering, as well as the subscriptions received in the Finnish Retail Offering and the Swedish Retail Offering.

Assuming that 2,873,563 Offer Shares are issued in the Offering, the Offer Shares will upon consummation of the Offering constitute approximately 37.83 % of the outstanding Shares in the Company.

If the Offering is oversubscribed, the board of directors of the Company may increase the number of Offer Shares by an additional share allotment of up to 431,034 additional new Shares in the Company ("**Additional Share Allotment**"). Assuming that the Additional Share Allotment is exercised in full, in aggregate up to 3,304,597 Offer Shares may be issued in the Offering and in such case the Offer Shares will upon consummation of the Offering constitute approximately 41.17 % of the outstanding Shares in the Company.

#### ***Pricing and book-building***

The Company has, together with the Joint Arrangers, set an indicative price range of EUR 8.70 to EUR 9.80 per Offer Share ("**Indicative Price Range**"). To achieve a market-based pricing of the Shares offered for sale, institutional investors will be afforded the opportunity to participate in a form of book-building process by submitting an application to subscribe. The book-building process will take place during the Subscription Period (as defined below). The final subscription price per Offer Share ("**Offer Price**") will be determined on the basis of the book-building process for institutions and the subscriptions placed in the Finnish Retail Offering and the Swedish Retail Offering, and may be set within or below the Indicative Price Range. However, the Offer Price may not exceed EUR 9.80.

The Indicative Price Range may be amended during the Subscription Period. Any amendment to the Indicative Price Range will be announced by the Company by way of a company release.



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The Company expects to announce the final Offer Price by way of a company release, on or about 27 October 2014.

#### *Payment of the Offer Shares*

The subscriptions shall be paid in cash as further described below in "*Terms specific to the Institutional Offering*", "*Terms specific to the Finnish Retail Offering*", and "*Terms specific to the Swedish Retail Offering*" to bank accounts designated by the Joint Arrangers in immediately available funds.

Offer Shares delivered through Euroclear Finland to investors in the Institutional Offering and the Finnish Retail Offering will be payable in euro.

Offer Shares in the Swedish Retail Offering will be payable in Swedish krona. Offer Shares delivered through Euroclear Sweden to investors in the Institutional Offering will be payable in Swedish krona or euro at the request of the investor. The Swedish krona denomination of the final Offer Price will be determined through purchases of forward EURSEK contracts in the open market for an amount corresponding to the aggregate allocated euro amount of Shares payable in Swedish krona. The Swedish krona denomination of the final Offer Price will be announced by the Company by way of a company release together with the publication of the outcome of the Offering.

#### *Subscription period*

The subscription period (the "**Subscription Period**") for the Offer Shares will commence on 15 October 2014 at 09:30 Finnish time (08:30 Swedish time), and is expected to end on 24 October 2014 at 16:30 Finnish time (15:30 Swedish time).

The Company may, at its sole discretion, end, shorten, or extend the Subscription Period. Changes to the Subscription Period may be made one or several times, provided, however, that the Subscription Period can end at earliest on 22 October 2014 at 16:30 Finnish time (15:30 Swedish time) and it will not be extended beyond 31 October 2014 at 16:30 Finnish time (15:30 Swedish time). Any changes to the Subscription Period will be announced by way of a company release. The Subscription Period may not be changed or ended by the Company between 9:30 and 16:30 Finnish time (between 08:30 and 15:30 Swedish time), or changed after the ending of the Subscription Period.

In the event the Subscription Period is changed, the allocation date, the payment due dates and the dates of delivery of Offer Shares will be changed accordingly, but the date of the listing and commencement of trading on First North Finland and Firth North Sweden may not necessarily be changed.

#### *Allocation of the Offer Shares*

The Company will, in its sole discretion, resolve on the allocation of the Offer Shares between the Institutional Offering, the Finnish Retail Offering and the Swedish Retail Offering, as well as between investors within the Institutional Offering, Finnish Retail Offering and Swedish Retail Offering. If the Offering is oversubscribed, investors may be allocated fewer Offer Shares than subscribed for, or no Offer Shares at all.

If the Offering is fully subscribed or oversubscribed, for subscriptions placed in the Finnish Retail Offering and the Swedish Retail Offering comprising up to an aggregate of 20% of the Offer Shares to be issued, the Company will allocate in aggregate at least 50% of the subscriptions so placed to investors in the Finnish Retail Offering and the Swedish Retail Offering. In case of oversubscription, the Company will use its best efforts to fulfil the subscriptions placed by investors in the Finnish Retail Offering and the Swedish Retail Offering up to allocations of 1,000 Offer Shares.

#### *Publication of the outcome of the Offering*

Provided that no changes are made to the Subscription Period, the Company will announce the outcome of the Offering on or about 27 October 2014 by way of a company release.

#### *Registration and delivery of the Offer Shares*

The Company will apply for the registration of the Offer Shares with the Trade Register as soon as practicably possible after the allocation of the Offer Shares. Provided that no changes are made to the Subscription Period, the Company expects the issued Offer Shares to be registered with the Trade Register on or about 5 November 2014. The Offer Shares will be issued and registered in the book-entry system of Euroclear Finland as soon as possible after having been registered with the Trade Register.

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As soon as possible after registration with Euroclear Finland, the Offer Shares will be delivered to investors through the book-entry systems of Euroclear Finland and Euroclear Sweden. Provided that no changes are made to the Subscription Period, the Company expects the delivery of the Offer Shares to the investors to take place on or about 6 November 2014.

#### *Supplements to the Prospectus and cancellation of subscriptions*

Subscriptions placed in the Finnish Retail Offering and the Swedish Retail Offering are binding and irrevocable, and may only be cancelled where the Finnish Securities Market Act provides for a cancellation right.

In accordance with the Finnish Securities Market Act, the Company will be obliged to issue a supplement to the Prospectus in case a mistake or inaccuracy in the Prospectus is discovered, or a significant new factor arises, prior to the end of the Subscription Period, if such mistake, inaccuracy or new factor may bear material significance to the investors. Such supplement will be published in the same manner as the Prospectus.

Investors who have subscribed for Offer Shares before the publication of a supplement to the Prospectus may choose to cancel their subscriptions. The cancellation right must be exercised within a cancellation period which may not be shorter than two Finnish banking days from the publication of the supplement to the Prospectus. An investor's cancellation of a subscription will be deemed to be made in respect of all the subscriptions of that investor. A precondition for the right to cancel is that the mistake, omission or material new information arose or was noted before the delivery of the Offer Shares. Cancellations must be filed with the office with which the subscription was placed. However, subscriptions placed on the website of UB Securities cannot be cancelled on the website but should be cancelled by contacting UB Securities. Information on the right to withdraw shall be issued in the supplement to the Prospectus.

Where an investor has cancelled its subscription, any subscription price already paid by that investor will be returned to the bank account of the investor given by the investor in connection with the subscription. The funds will be repaid within three local banking days of the cancellation of the subscription. No interest will be paid on the amounts returned. The Company will announce cancellation instructions by way of a company release, in connection with publishing the supplement to the Prospectus.

#### *Company's right to withdraw the Offering*

The Company's may, at its sole discretion (and for any reason), withdraw the Offering. If the Offering is withdrawn, any subscriptions given by investors will be automatically cancelled. In such case, the subscription price paid by investors will be returned to the bank accounts of the investors given by the investors in connection with the subscriptions. The funds will be repaid within three local banking days of the Offering being withdrawn. A withdrawal of the Offering will be announced by the Company by way of a company release.

If the Company's application to list the issued Offer Shares is not approved in respect of either First North Finland or First North Sweden, the Company will withdraw the Offering. The Company may not withdraw the Offering after the board of directors of the Company has resolved on the allocation of the Offer Shares.

#### ***Conditional Offering***

The Offering is conditional upon the subscriptions placed in the Offering (including the subscriptions payable by way of setting off capital loans described in "*Payment of the Offer Shares*" above) covering in aggregate an amount of at least EUR 15 million. If the aggregate amount of such subscriptions is less than EUR 15 million, the Offering shall lapse.

#### ***Terms specific to the Institutional Offering***

The minimum subscription per investor in the Institutional Offering is 12,000 Offer Shares. Investors in the Institutional Offering may place several subscriptions at different prices per Offer Share during the book-building period. Investors wishing to subscribe for a smaller number of Offer Shares shall subscribe to Offer Shares in the Finnish Retail Offering or the Swedish Retail Offering, as the case may be.

Investors in the Institutional Offering may withdraw or amend their subscriptions at any time until the end of the Subscription Period. After the end of the Subscription Period, all subscriptions that have not been withdrawn are irrevocable and binding upon the

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investor. The Company may change or end the Subscription Period.

Institutional investors are expected to receive information regarding allotment on or about 27 October 2014, whereupon notices of allotment are dispatched in accordance with prevailing market practice.

Provided that no changes are made to the Subscription Period, the subscription price for the Offer Shares shall be paid no later than 30 October 2014 in accordance with instructions set out in the notice of allotment sent to the investor. Should payment not be made when due, the Company may in its sole discretion decline the subscription and re-allot the Offer Shares.

Investors in the Institutional Offering may elect, with certain exemptions, for the Offer Shares to be delivered through the book-entry system of Euroclear Finland or through the book-entry system Euroclear Sweden. Investors may also elect for a part of their Offer Shares to be delivered through the book-entry system of Euroclear Finland and a part through the book-entry system of Euroclear Sweden.

***Terms specific to the Finnish Retail Offering***

The minimum subscription per investor in the Finnish Retail Offering is 70 Offer Shares. The maximum subscription per investor in the Finnish Retail Offering is 11,999 Offer Shares. Investors wishing to subscribe for a larger number of Offer Shares shall do so in the Institutional Offering.

Subscriptions in the Finnish Retail Offering must be made during the Subscription Period on the website of UB Securities at [www.unitedbankers.fi](http://www.unitedbankers.fi) or at the offices of UB Securities Ltd at Aleksanterinkatu 21 A 3rd floor, 00100 Helsinki, Finland.

Investors in the Finnish Retail Offering must comply with the practical instructions given by the Joint Arrangers from time to time.

Investors in the Finnish Retail Offering shall pay the subscription price when placing the subscription on UB Securities' website.

The investors subscribing for Offer Shares in the Finnish Retail Offering must pay, when placing the subscription, an initial subscription price per Offer Share of EUR 9.80, i.e., the high point of the Indicative Price Range. If the final Offer Price is lower than the price paid by the investor at the time of placing the subscription, the excess amount paid by the investor will be repaid to the investor within seven Finnish banking days of the date when the board of directors resolved on the allocation of the Offer Shares. No interest will be paid on the amounts returned. If an investor is allocated fewer Offer Shares than subscribed for by the investor, the excess subscription price paid by the investor will be repaid to the investor within seven Finnish banking days of the date when the board of directors resolved on the allocation of the Offer Shares.

The Company will, in its sole discretion, resolve on the allocation of Offer Shares between investors in the Finnish Retail Offering.

Offer Shares will be delivered to investors in the Finnish Retail Offering through the book-entry system of Euroclear Finland.

***Terms specific to the Swedish Retail Offering***

The minimum subscription per investor in the Swedish Retail Offering is 70 Offer Shares. The maximum subscription per investor in the Swedish Retail Offering is 11,999 Offer Shares. Investors wishing to subscribe for a larger number of Offer Shares shall do so in the Institutional Offering.

Subscriptions in the Swedish Retail Offering must be made during the Subscription Period by submitting a completed subscription form to Pareto Securities AB (Sweden) by post or by email [issueservice.se@paretosec.com](mailto:issueservice.se@paretosec.com).

Subscriptions should be made using a special subscription form which can be obtained from Pareto Securities AB or from the Company. Subscription forms are also available on the Company's website ([www.nexstim.com/IPO](http://www.nexstim.com/IPO)) or on Pareto Securities AB's website ([www.paretosec.com/corp/nexstim](http://www.paretosec.com/corp/nexstim)).

The Company will, in its sole discretion, resolve on the allocation of Offer Shares between investors in the Swedish Retail Offering. Contract notes are expected to be sent out by e-mail and ordinary mail on or about 27 October 2014. Those who have not been allotted Offer Shares will not be notified.

Provided that no changes are made to the Subscription Period, the subscription price

		<p>shall be paid no later than on 30 October 2014 in accordance with instructions set out in the notice of allotment sent to the investor. Should payment not be made when due, the Company may in its sole discretion decline the subscription and re-allot the Offer Shares.</p> <p>Offer Shares will be delivered to investors in the Swedish Retail Offering through the book-entry system of Euroclear Sweden.</p>
E.4	Material interests / conflicting interests relating to the issue	The fee of the Joint Arrangers is linked to the proceeds of the Offering.
E.5	Lock-ups	<p>The Joint Arrangers and the Company have undertaken that the Company will not, without the prior written consent of the Joint Arrangers and with certain exceptions, issue or otherwise transfer or pledge Shares, or securities entitled to Shares, in the Company for a period of 12 months following the first day of trading of the Shares on First North Finland or First North Sweden (whichever occurs first).</p> <p>The Joint Arrangers and the current shareholders of the Company, who as at the date of the Prospectus held more than 1 % of outstanding Shares in the Company or are members of the board of directors or the management team, have undertaken that, with certain exceptions, the shareholders in question do not sell or otherwise transfer or pledge the Shares or options in the Company owned by them on the date of this Prospectus for a period of 12 months following the first day of trading of the Shares on First North Finland or First North Sweden (whichever occurs first).</p>
E.6	Dilution	<p>As at the date of this Prospectus, an aggregate amount of up to 786,940 new Shares may be subscribed for under the stock option rights issued by the Company pursuant to existing option plans. Such new Shares represent approximately 14.3 % of Company's Shares and votes (including Shares subscribed for under the aforementioned stock option rights).</p> <p>Following the completion of the Offering, the immediate dilution of the ownership of the Company for a shareholder holding Shares prior to the Offering and not subscribing for Shares in the Offering will be approximately 37.83% based on the issuance of 2,873,563 Offer Shares (i.e., assuming that the Offering is fully subscribed) and without taking into account the dilutive effect of the stock option rights. Such amount will increase to 41.17% if the Additional Share Allotment is exercised in full.</p>
E.7	Expenses charged to the investor	Not applicable; no expenses will be charged to investors by Nexstim. Custodians, account operators and brokers may charge normal commissions for trading shares. Each custodian and account operator will charge fees in accordance with its own price list for maintaining a book-entry account and for entries on the account.

## SAMMANFATTNING

Sammanfattningar ställs upp efter informationskrav enligt Bilaga XXII till Prospektdirektivet i form av ett antal "Punkter". Dessa Punkter är numrerade i Avsnitt A-E (A.1 – E.7).

Denna sammanfattning innehåller alla de Punkter som ska ingå i en sammanfattning för denna typ av värdepapper och för Bolaget. Eftersom vissa Punkter inte behöver ingå, kan det finnas luckor i numreringen av Punkterna.

Även om en viss Punkt ska ingå i sammanfattningen på grund av typen av värdepapper och Bolaget kan det förekomma att det inte finns någon relevant information att ange beträffande sådan Punkt. I sådant fall innehåller sammanfattningen en kort beskrivning av aktuell Punkt tillsammans med angivelsen "ej tillämplig".

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### Avsnitt A – Introduktion och varningar

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A.1	Varning	<i>Denna sammanfattning bör läsas som en introduktion till Prospektet. Varje beslut om att investera i Erbjudandeaktierna ska baseras på en bedömning av Prospektet i sin helhet från den potentiella investerarens sida. Vissa termer som används i denna sammanfattning definieras på andra ställen i Prospektet. Om yrkande avseende information i Prospektet anförs vid domstol, kan den investerare som är kärande i enlighet med medlemsstaternas nationella lagstiftning bli tvungen att svara för kostnaderna för översättning av Prospektet innan de rättsliga förfarandena inleds. Civilrättsligt ansvar kan endast åläggas de personer som lagt fram sammanfattningen, inklusive översättningar därav, men endast om sammanfattningen är vilseledande, felaktig eller oförenlig med de andra delarna av Prospektet, eller om den inte, läst tillsammans med andra delar av Prospektet, ger nyckelinformation för att hjälpa investerare i övervägandet att investera i de Erbjudandeaktier som erbjuds.</i>
A.2	Samtycke till finansiella mellanhanders användning av Prospektet	Ej tillämplig.

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### Avsnitt B – Bolaget

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B.1	Firma och handelsbeteckning	Bolagets registrerade firma är Nexstim Oyj (" <b>Bolaget</b> ") (på svenska Nexstim Abp och på engelska Nexstim Plc).
B.2	Emittentens säte, bolagsform, lagstiftning och etableringsland	Bolaget är ett publikt aktiebolag bildat enligt finsk rätt. Bolaget har sitt säte i Helsingfors, Finland. Bolaget är registrerat i det finska Handelsregistret under organisationsnumret 1628881-1.
B.3	Beskrivning av emittentens verksamhet	<p>Nexstim är ett medicintekniskt företag som har till syfte att förbättra rehabiliteringen för strokepatienter med hjälp av minimalinvasiv hjärnstimulering. Bolaget har utvecklat en teknologi som möjliggör minimalinvasiv inriktning på ett avgränsat område i hjärnan med hög träffsäkerhet. Nexstim har, med sitt Navigated Brain Stimulation-system (NBS-system), varit först med att använda teknologin som ett diagnostiskt verktyg för hjärnkirurgiplanering. NBS-systemet är det första och den enda Food and Drug Administration-godkända (FDA) och CE-märkta produkt som använder så kallad <i>navigated Transcranial Magnetic Stimulation</i> (nTMS) för kartläggning av hjärnbarken för motorik och tal. Baserat på samma teknologiplattform har Bolaget utvecklat en produkt för strokerterapi som kallas Navigated Brain Therapy-system (NBT-system) och som fokuserar stimulering på riktade platser i hjärnan för att förbättra och påskynda strokerehabilitering genom att ta bort naturliga hinder mot rehabilitering.</p> <p>Med sitt NBT-system fokuserar Bolaget initialt på rehabilitering av hand och armrörelser (motorisk funktionsnedsättning i arm) som är en av de vanligaste symtomen efter stroke. NBT-systemet testades i en Fas II klinisk <i>proof of concept</i>-studie, i vilken lovande nivåer av förbättringar i motoriska funktioner, som varar under en sex månader lång observation, uppnåddes. Nexstim har tidigare i år inlett en tvåårig klinisk Fas III-studie på 12 framstående rehabiliteringsplatser i USA, som syftar till att demonstrera effektiviteten av NBT-systemet och för att kunna erhålla ett FDA-godkännande för att marknadsföra produkten till den post-akuta strokebehandlingen i USA. Nexstim förbereder för närvarande en pre-De Novo-ansökan till FDA. Om ett FDA-godkännande kan erhållas för NBT-systemet kan Bolaget påbörja kommersialiseringen av produkten</p>

för användning i strokerehabilitering.

Nexstims NBT-system är för närvarande i utvecklings- och förkommersialiseringsfasen och Bolaget har inga betydande intäkter för tillfället. Bolaget tar för närvarande fram kliniska bevis på NBT-behandlingens effektivitet under Fas III multicenterstudien. Bolaget förväntar sig att de rehabiliteringscenter som deltar i multicenterstudien skulle vara tidiga användare av NBT-systemet efter att studien har slutförts.

Nexstims NBS-system, som används för pre-kirurgisk diagnostik, är för närvarande i förkommersialiseringsfasen. Försäljningen och marknadsföringen av Nexstims NBS-system har främst varit inriktad på universitet och universitetssjukhus med stark *Key Opinion Leader*-närvaro (KOL) inom neurokirurgi och radiologi.

Vid tidpunkten för detta Prospekt har Nexstim sålt cirka 120 NBS-system, av vilka Bolaget uppskattar att 40 används för kliniskt bruk och 80 används för vetenskapliga forskningsändamål. Nexstims intäkter för de två senaste åren har genererats från försäljningen av dess NBS-system och från försäljningsaktiviteter såsom utbildning, service och försäljning av reservdelar och förbrukningsvaror.

Nexstims produkter tillverkas i Finland av underleverantören Innokas Medical Oy.

B.4a Väsentliga senaste trender som påverkar Bolaget och den bransch i vilken Bolaget är verksam

Nexstims produkter är i en övergångsfas från forskning till kliniskt bruk. För närvarande finns det inga direkta konkurrenter till Nexstims produkter, men det finns företag som kan bli konkurrenter i framtiden. Dessutom finns det indirekta konkurrenter på marknaden som erbjuder alternativa diagnostiska och terapeutiska metoder, vars lösningar kan vinna betydande marknadsandelar på Nexstims marknadssegment i framtiden. Nexstim är en utvecklare av nTMS-produkter och för närvarande det enda företaget med kliniskt bevis för behandling av hjärnbarken för motorik och tal med NBS-produkter och FDA-godkännande för försäljning och marknadsföring. Bolagets förmåga att bli framgångsrikt kommer delvis att bero på dess förmåga att övertyga vårdssamfundet om fördelarna med Nexstims produkter samt på dess förmåga att främja förändring av befintliga diagnostik-, terapi- och behandlingsmetoder i en riktning som är gynnsam för Nexstims produkter.

B.5 Koncernen

Nexstim Abp är moderbolag i Nexstim-koncernen. Bolaget bedriver verksamhet under egen firma samt genom de helägda dotterbolagen Nexstim Inc. och Nexstim Germany GmbH.

B.6 Större aktieägare

Vid tidpunkten för detta Prospekt har Bolaget 22 aktieägare. Följande tabell visar de åtta största aktieägarna och deras ägarandel.

Aktieägare	Antal aktier	Ägarandel*
HealthCap V L.P.**	1 673 092	35,43 %
Jubileumsfonden för Finlands självständighet Sitra	1 281 087	27,13 %
Capricorn Health-Tech Fund NV	508 472	10,77 %
LSP III Omni Investment Coöperatief U.A.	414 462	8,78 %
Lundbeckfond Ventures	255 738	5,42 %
Ömsesidiga Pensionsförsäkringsbolaget Ilmarinen	213 108	4,51 %
Finnish Industry Investment Ltd	163 212	3,46 %
Risto Ilmoniemi	75 111	1,59 %
Övriga aktieägare	138 137	2,93 %
<b>Summa</b>	<b>4 722 419</b>	<b>100 %</b>

\* Andel beräknad på det totala antalet Aktier som emitterats vid tidpunkten för detta Prospekt exklusive ägarutspädning till följd av de emitterade och utestående optionerna.

\*\* HealthCap V.L.P.'s innehar Aktierna direkt samt genom OFP V Advisor AB som det kontrollerar.

Bolaget har ett aktieslag. Varje Aktie berättigar till en röst på Bolagets bolagsstämma.

I den utsträckning det är känt för Bolaget, är Bolaget inte direkt eller indirekt ägt eller kontrollerat av någon aktieägare. Bolaget är inte heller medvetet om något arrangemang vilket skulle kunna leda till en förändring i kontrollen av Bolaget.

B.7 Utvald historisk finansiell information i sammandrag

Följande tabeller visar utvald finansiell information om Bolagets koncernbokslut för räkenskapsperioderna som avslutades den 31 december 2013 och 2012 samt utvald finansiell information för koncernen för halvåret som avslutades den 30 juni 2014 och 30 juni 2013. Bolagets reviderade koncernbokslut för räkenskapsperioderna som slutade den 31 december 2013 respektive 31 december 2012, har upprättats i enlighet med Finsk Redovisningssed och oreviderad halvårsrapport för halvåret som avslutades den 30 juni 2014, inklusive oreviderad jämförande finansiell information för halvåret som avslutades 30 juni 2013, har upprättats i enlighet med Finsk Redovisningssed och presenterats i enlighet med avsnitt 4.6.e i First North-reglerna.

Den utvalda finansiella informationen nedan innehåller inte all information från Bolagets koncernbokslut eller halvårsrapporter.

## Resultaträkning för koncernen

EUR i tusental	1 januari – 30 juni		1 januari – 31 december	
	2014	2013	2013	2012
	(Oreviderad)	(Oreviderad)	(Reviderad)	(Reviderad)
<b>NETTOOMSÄTTNING</b>	413,9	499,3	1 871,0	3 190,4
Tillverkning för eget bruk	17,5	16,7	33,2	48,5
Övriga rörelseintäkter	28,7	12,5	75,1	472,7
<b>Material och tjänster</b>				
<b>Material</b>				
Inköp under räkenskapsperioden	34,0	-165,9	-575,7	-827,3
Förändring av lager, förvärv (+) eller avyttringar (-)	-158,9	-145,6	-85,2	28,0
Köpta tjänster	-	-	-0,1	-1,1
<b>Summa</b>	<b>-125,0</b>	<b>-311,5</b>	<b>-661,0</b>	<b>-800,4</b>
<b>Personalkostnader</b>				
Löner och arvoden	-1 307,7	-1 293,9	-2 558,9	-2 589,8
<b>Sociala avgifter</b>				
Pensionskostnader	-157,4	-166,9	-309,2	-358,6
Övriga sociala avgifter	-176,8	-90,1	-175,2	-134,3
<b>Summa</b>	<b>-1 641,9</b>	<b>-1 550,9</b>	<b>-3 043,4</b>	<b>-3 082,6</b>
<b>Avskrivningar och nedskrivningar</b>				
Planenliga avskrivningar	-125,3	-141,7	-237,7	-305,9
<b>Summa</b>	<b>-125,3</b>	<b>-141,7</b>	<b>-237,7</b>	<b>-305,9</b>
Övriga rörelsekostnader	-1 672,3	-1 068,3	-2 472,0	-2 140,3
<b>RÖRELSERESULTAT / - FÖRLUST</b>	<b>-3 104,3</b>	<b>-2 543,9</b>	<b>-4 434,7</b>	<b>-2 617,7</b>
<b>Finansiella intäkter och kostnader</b>				
Övriga ränte- och finansiella intäkter	0,0	0,4	0,4	2,5
Räntor och övriga finansiella kostnader	-2 023,0	-4,7	-80,6	-83,7
<b>Summa</b>	<b>-2 023,0</b>	<b>-4,4</b>	<b>-80,2</b>	<b>-81,3</b>
<b>RÄKENSKAPSPERIODENS VINST / -FÖRLUST</b>	<b>-5 127,3</b>	<b>-2 548,2</b>	<b>-4 514,9</b>	<b>-2 699,0</b>

## Balansräkning för koncernen

EUR i tusental	30 juni.		31 december	
	2014 (Oreviderad)	2013 (Oreviderad)	2013 (Reviderad)	2012 (Reviderad)
<b>TILLGÅNGAR</b>				
<b>ANLÄGGNINGSTILLGÅNGAR</b>				
<b>Immateriella tillgångar</b>				
Utvecklingskostnader	98,9	94,6	107,7	154,5
Immateriella rättigheter	366,1	274,6	323,6	258,5
<b>Summa</b>	<b>465,0</b>	<b>369,2</b>	<b>431,4</b>	<b>413,0</b>
<b>Materiella tillgångar</b>				
Maskiner och inventarier	560,1	65,9	55,6	72,8
<b>Summa</b>	<b>560,1</b>	<b>65,9</b>	<b>55,6</b>	<b>72,8</b>
<b>Investeringar</b>				
Övriga aktier och andelar	10,0	10,0	10,0	10,0
<b>Summa</b>	<b>10,0</b>	<b>10,0</b>	<b>10,0</b>	<b>10,0</b>
<b>SUMMA ANLÄGGNINGSTILLGÅNGAR</b>	<b>1 035,0</b>	<b>445,1</b>	<b>497,0</b>	<b>495,8</b>
<b>OMSÄTTNINGSTILLGÅNGAR</b>				
<b>Varulager</b>				
Material och förnödenheter	177,6	276,1	336,5	393,3
<b>Summa</b>	<b>177,6</b>	<b>276,1</b>	<b>336,5</b>	<b>393,3</b>
<b>Fordringar</b>				
Kundfordringar	197,9	217,4	871,3	909,5
Förutbetalda kostnader och upplupna intäkter	39,5	33,4	163,0	106,8
Övriga fordringar	77,7	78,8	169,6	103,0
<b>Summa</b>	<b>315,1</b>	<b>329,6</b>	<b>1 203,9</b>	<b>1 119,3</b>
Kassa och bank	1 522,1	968,5	1 010,0	1 954,5
<b>SUMMA OMSÄTTNINGSTILLGÅNGAR</b>	<b>2 014,8</b>	<b>1 574,2</b>	<b>2 550,4</b>	<b>3 467,1</b>
<b>SUMMA TILLGÅNGAR</b>	<b>3 049,9</b>	<b>2 019,3</b>	<b>3 047,4</b>	<b>3 962,9</b>
<b>EGET KAPITAL OCH SKULDER</b>				
<b>EGET KAPITAL</b>				
Aktiekapital	31 991,5	28 570,7	28 570,7	28 570,7
Aktieemission	1 812,2	964,2	1 775,3	-
Överkursfond	63,2	63,2	63,2	63,2
Fond för inbetalt fritt eget kapital	0,1	0,1	0,1	0,1
Balanserad vinst / -förlust	-32 817,1	-28 340,2	-28 276,5	-25 630,2
Räkenskapsperiodens vinst / -förlust	-5 127,3	-2 548,2	-4 514,9	-2 699,0
<b>SUMMA EGET KAPITAL</b>	<b>-4 077,3</b>	<b>-1 290,3</b>	<b>-2 382,1</b>	<b>304,8</b>
<b>SKULDER</b>				
<b>LÅNGFRISTIGA SKULDER</b>				
Kapitallån	1 503,1	500,0	1 503,1	500,0
Övriga räntebärande lån	2 830,2	2 081,2	2 604,4	1 774,2
Förutbetalda intäkter	82,6	118,0	94,4	118,0
<b>Summa</b>	<b>4 415,9</b>	<b>2 699,2</b>	<b>4 201,9</b>	<b>2 392,2</b>
<b>KORTFRISTIGA SKULDER</b>				
Övriga räntebärande lån	-	-	-	307,0
Förutbetalda intäkter	15,0	-	45,0	-
Leverantörsskulder	402,9	266,6	739,0	329,1
Övriga skulder	2 093,9	150,9	96,9	76,8
Upplupna kostnader	199,5	193,0	346,7	553,0
<b>Summa</b>	<b>2 711,3</b>	<b>610,4</b>	<b>1 227,6</b>	<b>1 266,0</b>



SUMMA SKULDER	7 127,2	3 309,6	5 429,5	3 658,1
SUMMA EGET KAPITAL OCH SKULDER	3 049,9	2 019,3	3 047,4	3 962,9

### Koncernens kassaflödesanalys i sammandrag

	1 januari – 30 juni		1 januari – 31 december	
	2014	2013	2013	2012
	(Oreviderad)	(Oreviderad)	(Oreviderad)	(Oreviderad)
Kassaflöde från löpande verksamhet	-2 508,1	-1 859,2	-3 983,7	-3 075,5
Kassaflöde från investeringar	-663,3	-91,0	-238,9	-216,7
Kassaflöde från finansiering	3 683,5	964,2	3 278,1	1 107,8
Förändring av kassa och bank	512,2	-986,0	-944,5	-2 184,3
Kassa och bank vid periodens början	1 010,0	1 954,5	1 954,5	4 138,8
Kassa och bank vid periodens slut	1 522,1	968,5	1 010,0	1 954,5

### Nyckeltal

EUR i tusental	1 januari – 30 juni		1 januari – 31 december	
	2014	2013	2013	2012
	(Oreviderad)	(Oreviderad)	(Reviderad, om inte annat anges)	
Nettoomsättning	413,9	499,3	1 871,0	3 190,4
Personalkostnader	-1 641,9	-1 550,9	-3 043,4	-3 082,6
Avskrivningar och nedskrivningar	-125,3	-141,7	-237,7	-305,9
Övriga rörelsekostnader	-1 672,3	-1 068,3	-2 472,0	-2 140,3
Räkenskapsperiodens vinst / - förlust	-5 127,3	-2 548,2	-4 514,9	-2 699,0
Vinst per aktie (EUR)**	-20,15	-13,44	-22,84*	-14,24*
Kassaflöde från löpande verksamhet	-2 508,1	-1 859,2	-3 983,7*	-3 075,5*
Kassa och bank	1 522,1	968,5	1 010,0	1 954,5
Summa eget kapital	-4 077,3	-1 290,3	-2 382,1	304,8
Soliditet (%)	-87,19	-41,56	-30,23*	20,93*

\* Oreviderad

\*\*Effekten av den vederlagsfria aktieemissionen den 29 september 2014 (split) är inte redovisad.

$$\begin{aligned} \text{Vinst per aktie} &= \frac{\text{Räkenskapsperiodens vinst / -förlust}}{\text{Genomsnittligt antal aktier}} \\ \text{Soliditet (\%)} &= \frac{\text{Summa eget kapital + Kapitallån}}{\text{Summa tillgångar - Förutbetalda intäkter}} \times 100 \end{aligned}$$

### Aktuell utveckling och väsentliga förändringar i finansiell ställning

Följande åtgärder har vidtagits efter det att den i detta Prospekt ingående oreviderade halvårsrapporten för sexmånadersperioden som avslutades den 30 juni år 2014 presenterades.

- Bolaget genomförde tre riktade aktieemissioner i maj 2014, varav en var tecknad och betald för i juli 2014. I den aktieemissionen emitterade Bolaget 1 458, vid den tidpunkten, nya E-aktier till befintliga aktieägare och anskaffade 67,7 tusen EUR i tecknat aktiekapital.
- Vissa aktieägare tecknade nya kapitallån för att finansiera Bolaget. Teckningen uppgick till 1 350,0 tusen EUR.
- Baserat på det enhälliga beslutet fattat av aktieägarna den 29 september 2014 har Bolaget emitterat 333 587 nya aktier för att omvandla det nominella beloppet på det utestående kapitallånet till eget kapital. Det nominella beloppet uppgick till 3 009,3 tusen EUR, varav 1 003,1 tusen EUR klassificerats som kapitallån och 2 006,2 tusen EUR som övriga skulder per 30 juni 2014.
- Aktieägarna fattade ett enhälligt beslut den 29 september 2014 om att minska aktiekapitalet och överkursfonden. Minskningen av aktiekapitalet uppgick till 33 791,5 tusen EUR och minskning av överkursfonden uppgick till 63,2 tusen EUR.

Kassa och bank i Bolaget uppgick till 1 169,4 tusen EUR per 30 september 2014. Kassa och bank har minskat med 352,8 tusen EUR sedan den 30 juni 2014. Minskningen har bland annat berott på kostnaderna förknippade med Fas III multicenterstudien. Det kapitallån om 1 350,0 tusen EUR som beskrivs ovan har tagits upp för att täcka kostnaderna.

Efter den 30 juni 2014 har Bolaget fortsatt sälja NBS-system och leverera nya NBS-

system. Samtidigt har Fas III multicenterstudien löpt planenligt och de direkta kostnaderna i samband med försöket har inte avvikit väsentligt från Bolagets tidigare uppskattningar. Under samma period har inga väsentliga förändringar skett i övriga rörelsekostnader.

I september 2014 mottog Bolaget första beställningen av ett NBT-system från ett privat rehabiliteringscenter i Finland.

Mikko Karvinen utsågs till CFO i Bolaget den 18 augusti 2014.

Aktieägarna fattade den 29 september 2014 beslut om att ombilda Nexstim till ett publikt aktiebolag.

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B.8 Proformaredovisning

**Sammanfattning av proformainformation**

Följande oreviderade finansiella proformainformation ("**proforma**", "**proformainformation**") presenteras för att illustrera finansiella påverkan av följande kapitalrekonstruktionsåtgärder som vidtogs efter 30 juni 2014 (tillsammans "**Kapitalrekonstruktionsåtgärderna**"):

- Bolaget genomförde tre riktade aktieemissioner i maj 2014, varav en var tecknad och betald för i juli 2014. I den aktieemissionen emitterade Bolaget de 1 458, vid den tidpunkten, nya E-aktierna till befintliga aktieägare och anskaffade 67,7 tusen EUR i tecknat aktiekapital.
- Vissa aktieägare tecknade i september 2014 nya kapitallån för att finansiera Bolaget. Teckningen uppgick till 1 350 tusen EUR.
- Baserat på det enhälliga beslut som fattats av aktieägarna i Bolaget den 29 september 2014 emitterade Bolaget 333 587 nya Aktier för att omvandla ett kapitallån från vissa aktieägare till eget kapital. Det nominella beloppet på lånet uppgick till 3 009,3 tusen EUR, varav 1 003,1 tusen EUR klassificerades som kapitallån och 2 006,2 tusen EUR som övriga skulder i balansräkningen per 30 juni 2014.
- Det enhälliga beslut som fattats av aktieägarna i Bolaget den 29 september 2014 om minskning av aktiekapitalet och överkursfonden i Bolaget. Minskningen av aktiekapitalet uppgick till 33 791,5 tusen EUR och minskningen av överkursfonden uppgick till 63,2 tusen EUR.

Denna oreviderade proformainformation presenteras endast för ett illustrativt syfte. Justeringarna av proforman är baserade på Kapitalrekonstruktionsåtgärderna som vidtogs i juni-september 2014. Den oreviderade proformainformationen illustrerar vad den hypotetiska påverkan skulle ha varit om en kapitalrekonstruktion hade genomförts vid en tidigare tidpunkt, och därför utgör den inte den verkliga finansiella ställningen i Bolaget vid någon framtida tidpunkt.

Proformainformationen har upprättats i enlighet med Bilaga II till Prospektförordningen och i enlighet med de redovisningsprinciper som tillämpas av Bolaget.

***Perioderna för proforma***

Proformabalansräkningen för koncernen per 30 juni 2014 har sammanställts med antagandet att Kapitalrekonstruktionsåtgärderna hade avslutats den 30 juni 2014. Kapitalrekonstruktionsåtgärderna har ingen inverkan på den konsoliderade resultaträkningen för Bolaget.

***Historisk finansiell information***

Den presenterade proformainformationen baseras på information från den oreviderade halvårsrapporten för halvåret som slutade den 30 juni 2014, vilken har infogats i detta Prospekt. Proformainformation som presenteras i detta dokument bör läsas tillsammans med de tidigare reviderade koncernboksluten och den oreviderade halvårsrapporten.

## Proformabalansräkning den 30 juni 2014

EUR i tusental	Nexstim-koncernen (Oreviderad)	Justerad proforma (Oreviderad)	Nexstim Proforma- redovisning (Oreviderad)
<b>TILLGÅNGAR</b>			
<b>ANLÄGGNINGSTILLGÅNGAR</b>			
<b>Immateriella tillgångar</b>			
Utvecklingskostnader	98,9	-	98,9
Immateriella rättigheter	366,1	-	366,1
<b>Summa</b>	<b>465,0</b>	<b>-</b>	<b>465,0</b>
<b>Materiella tillgångar</b>			
Maskiner och inventarier	560,1	-	560,1
<b>Summa</b>	<b>560,1</b>	<b>-</b>	<b>560,1</b>
<b>Investeringar</b>			
Övriga aktier och andelar	10,0	-	10,0
<b>Total</b>	<b>10,0</b>	<b>-</b>	<b>10,0</b>
<b>SUMMA ANLÄGGNINGSTILLGÅNGAR</b>	<b>1 035,0</b>	<b>-</b>	<b>1 035,0</b>
<b>OMSÄTTNINGSTILLGÅNGAR</b>			
Varulager			
Material och förmodenheter	177,6	-	177,6
<b>Summa</b>	<b>177,6</b>	<b>-</b>	<b>177,6</b>
<b>Fordringar</b>			
Kundfordringar	197,9	-	197,9
Förutbetalda kostnader och upplupna intäkter	39,5	-	39,5
Övriga fordringar	77,7	-	77,7
<b>Summa</b>	<b>315,1</b>	<b>-</b>	<b>315,1</b>
Kassa och bank	1 522,1	1 417,7	2 939,8
<b>SUMMA OMSÄTTNINGSTILLGÅNGAR</b>	<b>2 014,8</b>	<b>1 417,7</b>	<b>3 432,5</b>
<b>SUMMA TILLGÅNGAR</b>	<b>3 049,9</b>	<b>1 417,7</b>	<b>4 467,5</b>
<b>EGET KAPITAL OCH SKULDER</b>			
<b>EGET KAPITAL</b>			
Aktiekapital	31 991,5	-31 911,5	80,0
Aktieemission	1 812,2	-1 812,2	-
Överkursfond	63,2	-63,2	-
Fond för inbetalt fritt eget kapital	0,1	3 009,3	3 009,4
Balanserad vinst / -förlust	-32 817,1	29 858,8	-2 958,3
Räkenskapsperiodens vinst / -förlust	-5 127,3	3 995,9	-1 131,5
<b>SUMMA EGET KAPITAL</b>	<b>-4 077,3</b>	<b>3 077,0</b>	<b>-1 000,3</b>
<b>SKULDER</b>			
<b>LÅNGFRISTIGA SKULDER</b>			
Kapitallån	1 503,1	346,9	1 850,0
Övriga räntebärande lån	2 830,2		2 830,2
Förutbetalda intäkter	82,6		82,6
<b>Summa</b>	<b>4 415,9</b>	<b>346,9</b>	<b>4 762,8</b>
<b>KORTFRISTIGA SKULDER</b>			
Förutbetalda intäkter	15,0		15,0
Leverantörsskulder	402,9		402,9
Övriga skulder	2 093,9	-2 006,2	87,7
Upplupna kostnader	199,5		199,5
<b>Summa</b>	<b>2 711,3</b>	<b>-2 006,2</b>	<b>705,1</b>
<b>SUMMA SKULDER</b>	<b>7 127,2</b>	<b>-1 659,3</b>	<b>5 467,9</b>
<b>SUMMA EGET KAPITAL OCH SKULDER</b>	<b>3 049,9</b>	<b>1 417,7</b>	<b>4 467,5</b>

B.9 Resultatprognos eller beräkning Utifrån sin verksamhetsprognos och känslighetsanalys förväntar sig Bolaget ett positivt rörelseresultat tidigast under det andra finansiella halvåret 2017. Den förväntade lönsamheten under perioden för prognosen bygger på följande uppskattningar och antaganden från ledningen:

- Nettoomsättningen från försäljningen av NBS-system (Pre Surgical Mapping, PSM) kommer att växa kraftigt under räkenskapsperioderna 2015-2017. Tillväxten grundar sig i framgångar i utförandet av den hälsoekonomiska modellen.
- NBT-systemets (Navigated Brain Therapy, NBT) Fas III-studier kommer att

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fortskrida planenligt. Kostnaderna för Fas III-studierna beräknas utifrån antagandet att studierna avslutas som planerat under räkenskapsperioden 2016.

- c) Planerna avseende NBT-systemets förkommersialiseringsfas kommer att fortskrida som planerat. Kostnaderna i samband med förberedelserna innan försäljning beräknas utifrån antagandet att studierna planenligt avslutas under räkenskapsperioden 2016.
- d) Ingen nettoomsättning förväntas inlöpa från NBT-systemet enligt den konservativa affärsprognosen fram till slutet av räkenskapsperioden 2017. Följaktligen har inte kostnader hänförliga till kommersialiseringen av NBT-systemet beaktats i beräkningen.

Ledningen för Bolaget kan främst påverka punkterna a) och c) som presenteras ovan. Insatserna för försäljningen av NBS-systemet kan höjas, exempelvis genom att öka antalet säljare och marknadsföringsinsatser samt genom att ändra prissättningen eller affärsmodellen. Dessa faktorer kan få en inverkan på den hälsoekonomiska modellen. Förutsatt att NBT-systemets multicenterstudie fortskrider enligt plan, kan bolagsledningen satsa i tillräcklig mån på förkommersialiseringsplanen för att försäkra sig om att planen uppfylls.

Punkterna b) och d) ovan ligger i huvudsak utanför ledningens kontroll. Fas III multicenterstudien av NBT-systemet genomförs av en tredje part och Bolaget kan därmed inte påverka försöksresultaten. För att generera intäkter från NBT-systemet, är det sannolikt att de andra antaganden ovan måste uppfyllas som förväntat.

Det finns flera osäkerhetsfaktorer i samband med Bolagets framtidsutsikter. De största osäkerhetsfaktorerna är, i förhållande till försäljningen av NBS-systemet, kundernas finansiella ställning, huruvida Bolagets försäljning- och marknadsföringsresurser är tillräckliga samt framgången för sådana aktiviteter, förseningar i kliniska forskningsresultat eller bristen på ytterligare forskning och erhållandet av ersättning för behandling i enlighet med den hälsoekonomiska modellen. I förhållande till NBT-systemet, kan Fas III multicenterstudien misslyckas och FDA-godkännandet kanske inte erhålls i den förväntade omfattningen, inom beräknad tid eller överhuvudtaget. Dessutom kan kostnaderna för studien öka eller bli högre än beräknat.

Baserat på ovan angivna beräkningar och antaganden, avser Bolaget att finansiera sin verksamhet med nettolikviden från Erbjudandet fram till andra halvan av räkenskapsperioden 2017. Bolaget förväntar att erhålla totala medel om 18-22 miljoner EUR i nettolikvid genom Erbjudandet. Från likviden har inte reducerats de teckningar som betalas genom kvittning av kapitallånet som utfärdades i september 2014. Om nettolikviden från Erbjudandet är mindre än förväntat och Erbjudandet samt FN-noteringen genomförs, kan Bolaget ha behov av ytterligare finansiering, vilken Bolaget avser anskaffa, i den utsträckning det krävs, genom annan skuld- eller kapitalanskaffning.

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B.10	Anmärkningar i revisionsberättelserna	Ej tillämplig.
B.11	Rörelsekapital	<p>Bolaget uppskattar att det inte har tillräckligt med rörelsekapital för att uppfylla sina nuvarande behov, det vill säga under en period av minst 12 månader från och med dagen för detta Prospekt eller dagen för FN-noteringen. Detta beror på ansamlingen av kostnaderna hänförliga till Fas III multicenterstudien av Bolagets NBT-system som kommer att ansamlas under de kommande 12 månaderna. Baserat på en återhållsam intäktsprognos och kostnadsuppskattning, anser Bolaget att ett sammanlagt belopp på 10 miljoner EUR är tillräckligt för att täcka dess brist på rörelsekapital under åtminstone nämnda 12-månadersperiod. Bolagets nuvarande rörelsekapital räcker till och med mitten på november 2014.</p> <p>Bolaget genomför Erbjudandet bland annat för att säkra ett tillräckligt rörelsekapital. Bolaget är av åsikten att om Erbjudandet fullföljs inom den tänkta tidsplanen och om likviden från Erbjudandet uppgår till minst det för Erbjudandets genomförande krävda 15 miljoner EUR (se nedan "Beskrivning av villkoren för Erbjudandet – Allmänna villkor för Erbjudandet – Erbjudandets villkorlighet" ), tillför likviden från Erbjudandet (tillsammans med Bolagets tillgängliga kassa och bank) Bolaget tillräckligt med rörelsekapital för att möta dess nuvarande behov samt täcka rörelsekapitalbehovet på 10 miljoner EUR för minst 12 månader från och med dagen för detta Prospekt eller dagen för FN-noteringen.</p> <p>Om Erbjudandet inte fullföljs alls, avser Bolaget söka anskaffa ytterligare skuld- och</p>

kapitalfinansiering eller justera dess kostnadsstruktur, framförallt genom att minska dess fasta kostnader, såsom personalkostnader och, om det behövs, genom att senarelägga eller stoppa Fas III multicenterstudien och ansamlingen av kostnader relaterade därtill. Om ytterligare finansiering inte kan anskaffas, kan Bolaget komma att möta finansiella svårigheter.

<b>Avsnitt C – Erbjudandeaktierna</b>		
C.1	Slag av värdepapper	Bolaget har ett aktieslag. ISIN-koden för Aktierna är FI4000102678.
C.2	Valuta	<p>Aktierna är denominerade i euro.</p> <p>Erbjudandeaktierna i det Finska Retailerbjudandet och i det finska Institutionella Erbjudandet kommer att betalas i euro. Aktier upptagna till handel på First North Finland kommer att handlas och avvecklas i euro.</p> <p>Erbjudandeaktier i det Svenska Retailerbjudandet betalas i svenska kronor. Erbjudandeaktier som levereras av Euroclear Sweden till investerare under det Institutionella Erbjudandet betalas i svenska kronor eller euro på investerarens begäran. Aktier upptagna till handel på First North Sweden kommer att handlas och avvecklas i svenska kronor.</p>
C.3	Aktier aktiekapital	och Nexstims fullt betalda aktiekapital per dagen för detta Prospekt är 80 000 EUR, vilket motsvarar 4 722 419 utestående emitterade Aktier. Aktierna har inget nominellt värde. Nexstim har ett aktieslag.
C.4	Rättigheter sammanhänger värdepapperen	<p>som med Rättigheter som sammanhänger med Bolagets Aktier är baserade på den finska Aktiebolagslagen samt annan, vid var tid gällande, finsk rätt. Rättigheterna som sammanhänger med Aktierna innefattar att innehavaren får delta vid Bolagets bolagsstämma samt rösta på sådan stämma. Varje Aktie berättigar till en röst vid bolagsstämma.</p> <p>Samtliga Aktier berättigar till lika finansiella rättigheter, vilket inkluderar rätt till utdelning och utbetalningar av medel från Bolaget. Under den finska Aktiebolagslagen har aktieägare företrädesrätt att teckna ytterligare aktier i förhållande till befintligt innehav, om inte det aktuella aktieemissionsbeslutet anger annat.</p> <p>Bolagets Aktier är förenade med en inlösenrätt och -skyldighet enligt den finska Aktiebolagslagen. Enligt den finska Aktiebolagslagen har aktieägare som representerar mer än 9/10 av samtliga aktier och röster i ett bolag rätt att lösa in utestående aktier i sådant bolag till skäligt värde. Dessutom kan varje minoritetsaktieägare som innehar sådana aktier kräva att en sådan majoritetsaktieägare löser in aktierna enligt den finska Aktiebolagslagen.</p> <p>Erbjudandeaktierna berättigar innehavaren till samtliga utdelningar och andra rättigheter i Bolaget vid tidpunkten för registrering av Erbjudandeaktierna i det finska Handelsregistret. Erbjudandeaktierna registreras i det finska Handelsregistret uppskattningsvis den 5 november 2014.</p>
C.5	Inskränkningar i den fria överlåtbarheten	Ej tillämplig. Bolagets Aktier är fritt överlåtbara.
C.6	Upptagande handel	<p>till Bolaget avser att lämna in en ansökan till Helsingforsbörsen, för behandling av Helsingforsbörsen och Stockholmsbörsen, om att notera a) på First North Finland, (i) Erbjudandeaktier, som emitterats och tilldelats i det Finska Retailerbjudandet, (ii) Erbjudandeaktier, som emitterats och tilldelats genom det Institutionella Erbjudandet och som levereras av Euroclear Finland, och (iii) övriga av Bolagets Aktier som inte är föremål för ansökan om notering på First North Sweden; och b) på First North Sweden, (i) Erbjudandeaktier, som emitterats och tilldelats genom det Svenska Retailerbjudandet och (ii) Erbjudandeaktier, som emitterats och tilldelats genom det Institutionella Erbjudandet och som levereras av Euroclear Sweden.</p> <p>Handelsymbolen på First North Finland väntas bli NXTMH och på First North Sweden NXTMS. Handeln på First North Finland och på First North Sweden väntas påbörjas uppskattningsvis den 6 november 2014. Bolaget kommer att ansöka om att primärnoteringen ska ske på First North Finland och att sekundärnotering ska ske på First North Sweden.</p>
C.7	Utdelningspolitik	Bolaget har under sin verksamhetstid varit olönsamt och inga utdelningar har utbetalats. Under de kommande åren kommer Bolaget att fokusera på finansiering av tillväxt och utveckling av verksamheten och Bolaget kommer att hålla sig till en mycket stram utdelningspolitik, knuten till Bolagets resultat och finansiella ställning. Bolaget

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förväntar sig inte att kunna lämna någon utdelning inom en nära framtid. Vidare har Bolaget minskat sitt aktiekapital för förlusttäckning den 29 september 2014. Därför är alla utdelningar från det fria egna kapitalet föremål för en tre månaders kallelsefrist för Bolagets borgenärer fram till den 3 oktober 2017 i enlighet med den finska Aktiebolagslagen.

I de fall utdelning betalas berättigar varje Aktie lika stor utdelning.

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#### Avsnitt D – Risker

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D.1	Huvudsakliga risker avseende Bolaget och dess verksamhet	<p>Risker avseende Bolaget och dess verksamhet är bland annat följande:</p> <ul style="list-style-type: none"><li>• <i>Bolaget har historiskt sett lidit av verksamhetsförluster och verksamheten kan förbi olönsam</i></li><li>• <i>Bolagets rörelsekapital är inte tillräckligt för att tillgodose Bolagets behov</i></li><li>• <i>Bolaget och dess produkter är i utvecklingsfasen</i></li><li>• <i>Bolaget kan få svårigheter att genomföra Fas III av multicenterstudien för NBT-systemet enligt uppskattad tidtabell eller budget, slutföra försöksperioden eller så visar inte försöken tillräcklig klinisk effektivitet</i></li><li>• <i>Bolagets produkter kommer att fordra vissa myndighetsgodkännanden eller -tillstånd, såsom till exempel FDA:s försäljnings- och marknadsföringstillstånd för NBT-systemet, innan kommersialiseringen av produkterna och för närvarande har inte samtliga nödvändiga godkännanden eller tillstånd beviljats. Det finns inte heller några garantier för att sådana godkännanden eller tillstånd faktiskt kommer att beviljas eller upprätthållas</i></li><li>• <i>Bolaget kanske inte kommer att kunna erhålla ersättningsbeteckning för de behandlingar som utförs med bolagets produkter eller den beräknade ersättningsbarheten för behandlingen</i></li><li>• <i>Vårdbolag och sjukhus kanske inte implementerar Bolagets teknologi och behandlingsformer enligt förväntningarna eller i tillräcklig utsträckning</i></li><li>• <i>Bolagets verksamhet kan avbrytas på grund av problem med dess leverantörer</i></li><li>• <i>Bolaget kanske inte kommer kunna behålla nödvändiga licenser och tillstånd</i></li><li>• <i>Bolaget kanske inte kommer kunna skydda sina immateriella rättigheter i tillräcklig grad</i></li><li>• <i>Bolaget kanske kommer kränka tredje parts immateriella rättigheter eller anspråk kanske kommer framföras mot Bolaget om sådana överträdelser</i></li><li>• <i>Det finns inte någon utvecklad marknad för Bolagets produkter och marknaden kanske inte utvecklas i enlighet med Bolagets prognoser eller i samma utsträckning; Bolagets teknologi eller produkter kommer kanske inte att fortsätta vara konkurrenskraftiga.</i></li><li>• <i>Intäkter hänförliga till kapitaliserade utvecklingskostnader och immateriella rättigheter kan visa sig vara färre än väntat</i></li><li>• <i>Koncernens finansiella ställning kan vara svagare än väntat</i></li><li>• <i>Bolaget kanske inte kan utnyttja alla skattemässiga förluster</i></li><li>• <i>Bolagets oreviderade proformainformation kanske inte motsvarar den finansiella ställningen i Bolaget under kommande rapportperioder på ett riktigt sätt</i></li><li>• <i>Det kan förekomma förändringar i Bolagets redovisade lönsamhet eller finansiella ställning till följd av förändringar i redovisningsregler eller beslut om att börja tillämpa internationella redovisningsstandarder (IFRS)</i></li><li>• <i>Bolaget kan bli föremål för produktansvar och andra krav</i></li><li>• <i>Bolaget kan i framtiden bli inblandat i tvister och skiljeförfaranden</i></li><li>• <i>Bolaget kan påverkas negativt av ekonomiska svårigheter eller konkurser för en eller flera kunder, partners, leverantörer eller andra motparter</i></li><li>• <i>Bolaget är beroende av sitt datasystem</i></li><li>• <i>Bolaget är beroende av dess förmåga att rekrytera och behålla nyckelpersoner</i></li><li>• <i>Bolaget är beroende av dess förmåga att finna och behålla forskningspartners</i></li><li>• <i>Bolaget har begränsad erfarenhet av försäljning, marknadsföring och distribution</i></li><li>• <i>Bolaget måste följa komplicerade lagar och förordningar som gäller för dess</i></li></ul>
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verksamhet, vilket annars, vid brott mot sådana lagar eller förordningar, kan få betungande konsekvenser

- Bolaget kanske inte har tillräckligt omfattade försäkringar och Bolaget kanske inte är fullt försäkrad mot alla risker
- Bolagets skattebörda kan öka till följd av ändringar i eller tillämpningen av skatteregler, eller till följd av framtida skatterevisioner
- Möjligheten till finansiering från Tekes kanske inte finns i framtiden och betalningen av redan erhållen finansiering kan förfalla i förtid
- Bolaget kan stöta på svårigheter med refinansiering av sina skulder
- Bolaget kommer att behöva en väsentlig summa i ytterligare finansiering för att i framtiden kommersialisera dess NBT-system, om de nödvändiga tillstånden och licenserna erhålls
- Valutakursförändringar kan komma att påverka Bolaget negativt
- Bolaget kan komma att påverkas negativt av ökade kostnader

D.3	Huvudsakliga risker avseende värdepapperen	Risker relaterade till Erbjudandet och Aktierna: <ul style="list-style-type: none"><li>• Erbjudandet kanske inte fulltecknas eller FN-noteringen kanske inte sker vid den tilltänkta tiden eller alls.</li><li>• Teckning av aktier kan ej återkallas, förutom under vissa omständigheter</li><li>• Bolagets ägarkoncentrering kan påverka marknadspriset och Aktiernas likviditet. Bolagets majoritetsägare kan vidare väsentligt påverka Bolagets styrning och deras intressen kan skilja sig från Bolagets minoritetsägares intressen</li><li>• En aktiv och publik handel med Bolagets Aktier kanske inte uppstår, vilket kan leda till prissvängningar och brist på likviditet, särskilt på First North. Marknadspriset kan också bli föremål för fluktuationer i växelkursen.</li><li>• Erbjudandeaktiernas marknadspris kan variera avsevärt och priset på Erbjudandeaktierna kan falla under teckningspriset</li><li>• Innehavare av förvaltarregistrerade Aktier i Bolaget kanske inte kan utöva sin rösträtt</li><li>• Storleken på framtida utdelningar till aktieägare är osäker</li><li>• Betydande emissioner eller avyttringar av Aktier eller teckningsrätter i framtiden kan få en negativ inverkan på marknadspriset på Aktierna och orsaka utspädning</li><li>• Investering i det Svenska Retailerbjudandet kan påverkas negativt av förändringar i valutakurser</li></ul>
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## Avsnitt E – Erbjudandet

E.1	Nettolikvid och emissionskostnader	Bolaget förväntar sig att den totala likviden från Erbjudandet är maximalt 25 miljoner EUR baserat på det maximala antalet Erbjudandeaktier (2 873 563 Aktier) och den lägsta nivån av det Indikativa Prisintervallet (8,70 EUR). Nexstim förväntar sig därför att erhålla en nettolikvid om cirka 18-22 miljoner EUR från emissionen av Erbjudandeaktierna efter avdrag för uppskattade kostnader för Erbjudandet om sammanlagt cirka 2-3 miljoner EUR. Från likviden har inte reducerats de teckningar som betalas genom kvittning av kapitallånet som utfärdades i september 2014. Om Tilldelningen av Ytterligare Aktier utnyttjas till fullo, kommer Nexstim erhålla ytterligare nettolikvid om cirka 3,5 miljoner EUR efter avdrag för uppskattade kostnader och utgifter.
E.2a	Motiv för erbjudandet och användning av emissionslikvid	Nexstims aktieägare och styrelse anser att det är en lämplig tidpunkt att bredda aktieägarbasen och att ansöka om notering av Bolagets Aktier på First North Finland och First North Sweden. Erbjudandet förväntas stödja tillväxten och den operativa strategin för Bolaget. Nexstim förväntar sig också att FN-noteringen av Aktierna kommer att öka kännedomen om Bolaget och dess verksamhet, ge Nexstim förbättrad tillgång till kapitalmarknaden och en diversifierad bas av nya nordiska och internationella aktieägare. Bolaget tror att dessa faktorer kommer att stärka Bolagets position på den finska och svenska marknaden ytterligare och tillhandahålla en lämplig plattform för sin framtida utveckling av och tillgång till kapital till kommersialiseringsfasen av NBT-systemet såvida FDA-godkännandet för marknadsföring av produkten av strokerehabilitering erhålls.  Nexstim förväntar sig att använda nettolikviden från försäljningen av

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Erbjudandeaktierna som erbjuds genom Erbjudandet till att finansiera Bolagets nästa utvecklingsfas fram till slutet av Fas III multicenterstudien och FDA-godkännandet för marknadsföring av NBT-systemet för strokerehabilitering som förväntas äga rum i slutet av 2016.

I synnerhet avser Nexstim att använda intäkterna från Erbjudandet till:

- att finansiera den pågående två år långa Fas III multicenterstudien för användningen av Bolagets NBT-system på strokerehabilitering som för närvarande bedrivs vid 12 framstående rehabiliteringsplatser i USA;
- att söka myndighetstillstånd inklusive, men inte begränsat till, FDA:s De Novo 510 (k)-tillstånd för marknadsföring av NBT-systemet för strokerehabilitering;
- att utföra förkommersiella aktiviteter för NBT-systemet för post-akut strokebehandling och affärsutveckling av NBS-system för diagnostik;
- att utforska andra möjliga forskningsområden, till exempelvis smärta och tinnitus, och
- allmänna företagsändamål.

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E.3 Villkor för erbjudandet

### **Beskrivning av villkoren för Erbjudandet**

#### ***Allmänna villkor för Erbjudandet***

Bolaget erbjuder upp till 2 873 563 nya Aktier i Bolaget ("**Erbjudandeaktierna**") till teckning ("**Erbjudandet**"). Erbjudandet består av:

- a) Ett institutionellt erbjudande (det "**Institutionella Erbjudandet**"), i vilket Erbjudandeaktier erbjuds till investerare i både Finland och i Sverige såväl som internationellt, förutsatt att lokala rättsregler är uppfyllda.
- b) Ett retailererbjudande i Finland (det "**Finska Retailerbjudandet**"), i vilket Erbjudandeaktier erbjuds till allmänheten i Finland.
- c) Ett retailererbjudande i Sverige (det "**Svenska Retailerbjudandet**"), i vilket Erbjudandeaktier erbjuds till allmänheten i Sverige.

#### ***Antalet Erbjudandeaktier och Tilldelning av Ytterligare Aktier***

Antalet Erbjudandeaktier som ska emitteras under Erbjudandet kommer att fastställas på grundval av en book-building-process för det Institutionella Erbjudandet, samt på grundval av de mottagna teckningarna i det Finska Retailerbjudandet och det Svenska Retailerbjudandet.

Förutsatt att 2 873 563 Erbjudandeaktier emitteras i Erbjudandet, kommer Erbjudandeaktierna vid fullbordan av Erbjudandet utgöra cirka 37,83 % av de utestående Aktierna i Bolaget.

Om Erbjudandet övertecknas, får Bolagets styrelse öka antalet Erbjudandeaktier genom en tilldelning av ytterligare aktier om upp till 431 034 ytterligare nya Aktier i Bolaget ("**Tilldelning av Ytterligare Aktier**"). Förutsatt att Tilldelningen av Ytterligare Aktier utnyttjas fullt ut, får ett samlat antal av upp till 3 304 597 Erbjudandeaktier emitteras under Erbjudandet och då kommer Erbjudandeaktierna, efter Erbjudandets fullföljande, att utgöra cirka 41,17 % av de utestående Aktierna i Bolaget.

#### ***Prissättning och book-building***

Bolaget har tillsammans med Arrangörerna, angett ett vägledande pris om 8,70 till 9,80 EUR per Erbjudandeaktie (det "**Indikativa Prisintervallet**"). För att uppnå en marknadsmässig prissättning av Aktierna till försäljning, kommer institutionella investerare att ges möjlighet att delta i en form av book-building-process genom att lämna in en teckningsanmälan. Book-buildingen kommer att ske under Teckningstiden (enligt definitionen nedan). Det slutliga teckningspriset per Erbjudandeaktie ("**Teckningspriset**") kommer att fastställas på grundval av book-building-förfarandet för institutioner och teckningarna som gjorts i det Finska Retailerbjudandet och Svenska Retailerbjudandet och kan bestämmas inom eller lägre än det Indikativa Prisintervallet. Teckningspriset får emellertid inte överstiga 9,80 EUR.

Det Indikativa Prisintervallet får ändras under Teckningstiden. Varje förändring av det Indikativa Prisintervallet kommer att meddelas av Bolaget i ett pressmeddelande.

Bolaget räknar med att offentliggöra det slutgiltiga Teckningspriset genom ett pressmeddelande kring den 27 oktober 2014.

#### ***Betalning av Erbjudandeaktierna***

Teckningen av aktier skall betalas kontant i omedelbart omsättningsbara medel, vilket



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beskrivs mer nedan under "*Särskilda villkor för det Institutionella Erbjudandet*", "*Särskilda villkor för det Finska Retailerbjudandet*" och "*Särskilda villkor för det Svenska Retailerbjudandet*", till bankkonton som förvaltas av Arrangörerna.

Erbjudandeaktier som levereras av Euroclear Finland till investerare under det Institutionella Erbjudandet och det Finska Retailerbjudandet betalas i euro.

Erbjudandeaktier i det Svenska Retailerbjudandet betalas i svenska kronor. Erbjudandeaktier som levereras av Euroclear Sweden till investerare under det Institutionella Erbjudandet betalas i svenska kronor eller euro på investerarens begäran. Slutliga Teckningspriset i svenska kronor kommer att bestämmas genom köp av EURSEK terminsavtal på den öppna marknaden till ett belopp som motsvarar det sammanlagda eurobeloppet av Aktier som ska betalas i svenska kronor. Det slutliga Teckningspriset i svenska kronor kommer att tillkännages av Bolaget i ett pressmeddelande tillsammans med offentliggörandet av utgången för Erbjudandet.

#### *Teckningstiden*

Teckningstiden ("**Teckningstiden**") för Erbjudandeaktierna kommer att inledas den 15 oktober 2014 09:30 finsk tid (08:30 svensk tid), och förväntas avslutas den 24 oktober 2014 16:30 finsk tid (15:30 svensk tid).

Bolaget kan efter eget bestämmande avsluta, förkorta eller förlänga Teckningstiden. Ändringar i Teckningstiden får ske en eller flera gånger, förutsatt att Teckningstiden kan avslutas tidigast den 22 oktober 2014 16:30 finsk tid (15:30 svensk tid) och att den inte kommer att förlängas efter 31 oktober 2014 16:30 finsk tid (15:30 svensk tid). Eventuella förändringar i Teckningstiden kommer att meddelas genom ett pressmeddelande. Teckningstiden får inte ändras eller avslutas av Bolaget mellan 09:30 och 16:30 finsk tid (08:30 och 15:30 svensk tid), eller ändras efter Teckningstidens utgång.

För det fall att Teckningstiden ändras, kommer tilldelningsdagen, betalningsdagen och datum för leverans av Erbjudandeaktier att ändras i enlighet därmed, men dagen för notering och när handeln inleds på First North Finland och First North Sweden kanske inte nödvändigtvis ändras.

#### *Tilldelning av Erbjudandeaktierna*

Bolaget kommer, efter eget bestämmande, besluta om tilldelning av Erbjudandeaktier mellan det Institutionella Erbjudandet, det Finska Retailerbjudandet och det Svenska Retailerbjudandet, liksom mellan investerarna i det Institutionella Erbjudandet, Finska Retailerbjudandet och Svenska Retailerbjudandet. Om Erbjudandet övertecknas, kan investerare tilldelas färre Erbjudandeaktier än vad som tecknats, eller inga Erbjudandeaktier alls.

Om Erbjudandet fulltecknas eller övertecknas kommer Bolaget tilldela investerarna på basen av de i det Finska Retailerbjudandet och det Svenska Retailerbjudandet gjorda teckningarna sammanlagt minst 50% av teckningarna ända till det antal som motsvarar högst 20% av Erbjudandeaktierna. Om överteckning sker, kommer Bolaget att göra sitt bästa för att tillgodose de aktieteckningar som lämnats av investerarna under det Finska Retailerbjudandet och det Svenska Retailerbjudandet upp till tilldelningar av 1 000 Erbjudandeaktier.

#### *Offentliggörande av Erbjudandets utgång*

Förutsatt att inga ändringar görs under Teckningstiden kommer Bolaget att meddela utgången av Erbjudandet i ett pressmeddelande omkring den 27 oktober 2014.

#### *Registrering och leverans av Erbjudandeaktier*

Bolaget kommer att ansöka om registrering av Erbjudandeaktierna i det finska Handelsregistret så snart det är praktiskt möjligt efter tilldelningen av Erbjudandeaktierna. Förutsatt att inga ändringar görs i Teckningstiden förväntas Erbjudandeaktierna registreras i Handelsregistret omkring den 5 november 2014. Erbjudandeaktierna kommer att emitteras och registreras i systemet hos Euroclear Finland så snart som möjligt efter att ha registrerats i Handelsregistret.

Så snart som möjligt efter registreringen hos Euroclear Finland kommer Erbjudandeaktierna levereras till investerarna genom Euroclear Finland och Euroclear Sweden. Förutsatt att inga ändringar görs i Teckningstiden, beräknar Bolaget att leverans av Erbjudandeaktier till investerare kommer att äga rum omkring den 6 november 2014.

#### *Tillägg till Prospektet och återkallande av aktieteckningar*

Teckningar som gjorts i det Finska Retailerbjudandet och det Svenska Retailerbjudandet är bindande och oåterkalleliga, och får endast återkallas om den finska Värdepappersmarknadslagen tillåter det.

I enlighet med den finska Värdepappersmarknadslagen, kommer Bolaget vara skyldigt att utfärda ett tillägg till Prospektet om ett misstag eller en felaktighet i Prospektet upptäcks, eller om en omständighet uppstår före utgången av Teckningstiden som kan få väsentlig betydelse för investerarna. Sådana tillägg kommer att publiceras på samma sätt som Prospektet.

Investerare som tecknat Erbjudandeaktier före offentliggörandet av ett tillägg till Prospektet kan välja att återkalla sina teckningar. Sådan återkallelserätt skall utövas inom en period som inte får vara kortare än två finska bankdagar från offentliggörandet av tillägget till Prospektet. En investerares återkallande av teckning anses då ske för samtliga teckningar från investeraren. En förutsättning för återkallelserätt är att misstag, utelämnande eller ny information inträffade eller upptäcktes innan leveransen av Erbjudandeaktierna. Återkallande ska meddelas till samma teckningsställe där den ursprungliga teckningen gjordes. Teckningar som emellertid gjorts på UB Securities hemsida kan inte återkallas på deras hemsida utan bör återkallas genom att kontakta UB Securities. Information om rätten att återkalla sin teckning lämnas också i tillägget till Prospektet.

Om en investerare återkallar sin teckning, kommer den teckningsavgift som möjligen redan erlagts av investeraren att återbetalas till det bankkonto investeraren angett i samband med tecknandet av aktier. Medlen kommer att återbetalas inom tre lokala bankdagar från återkallelsen av teckningen. Ingen ränta kommer att betalas på de belopp som återbetalats. Bolaget kommer att meddela instruktioner för återkallelse av teckning i ett pressmeddelande i samband med publiceringen av tillägget till Prospektet.

#### *Bolagets rätt att återkalla Erbjudandet*

Bolagets kan efter eget bestämmande (och av vilken anledning som helst), återkalla Erbjudandet. Om Erbjudandet återkallas kommer alla teckningar från enskilda investerare automatiskt att makuleras. I sådana fall kommer de teckningsavgifter som möjligen betalats av investerare återbetalas till det bankkonto investerarna angav i samband med teckningen. Avgifterna kommer att återbetalas inom tre lokala bankdagar från det att Erbjudandet återkallats. Ett återkallande av Erbjudandet kommer att offentliggöras av Bolaget i form av ett pressmeddelande.

Om Bolagets ansökan om att notera de emitterade Erbjudandeaktierna inte godkänns för antingen First North Finland eller First North Sweden, kommer Bolaget att återkalla Erbjudandet. Bolaget får inte återkalla Erbjudandet efter att styrelsen i Bolaget har beslutat om tilldelning av Erbjudandeaktierna.

#### *Erbjudandets villkorlighet*

Erbjudandet är villkorligt till att det sammanlagda beloppet av teckningarna som gjorts genom Erbjudandet (inklusive teckningarna som betalas genom kvittning av kapitallån såsom ovan beskrivits "*Betalning av Erbjudandeaktierna*") är minst 15 miljoner EUR. Om det sammanlagda beloppet av sådana teckningar är mindre än 15 miljoner EUR, förfaller Erbjudandet.

#### *Särskilda villkor för det Institutionella Erbjudandet*

Den lägsta möjliga teckningen per investerare i det Institutionella Erbjudandet är 12 000 Erbjudandeaktier. Investerare i det Institutionella Erbjudandet kan göra flera teckningar till olika priser per Erbjudandeaktie under book-building-förfarandet. Investerare som önskar teckna ett mindre antal Erbjudandeaktier ska efter omständigheterna teckna Erbjudandeaktier i det Finska Retailerbjudandet eller det Svenska Retailerbjudandet.

Investerare i det Institutionella Erbjudandet kan återkalla eller ändra sina teckningar när som helst fram till slutet av Teckningstiden. Efter utgången av Teckningstiden är alla teckningar som inte har återkallats oåterkalleliga och bindande för investerare. Bolaget kan ändra eller avsluta Teckningstiden.

Institutionella investerare förväntas erhålla besked om tilldelning omkring den 27 oktober 2014, varefter meddelanden om tilldelning skickas enligt gällande marknadspraxis.

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Förutsatt att inga ändringar görs i Teckningstiden, ska teckningspriset för Erbjudandeaktierna betalas senast den 30 oktober 2014 i enlighet med instruktionerna i meddelandet om tilldelning som skickats till investeraren.

Om betalning inte görs i tid, får Bolaget efter eget bestämmande bortse från teckningen och tilldela Erbjudandeaktierna på nytt.

Investerare i det Institutionella Erbjudandet kan välja, med vissa undantag, att få Erbjudandeaktierna levererade genom Euroclear Finlands eller Euroclear Swedens försorg. Investerare kan också välja att en del av deras Erbjudandeaktier ska levereras genom Euroclear Finlands värdeandelssystem och en del genom Euroclear Swedens värdeandelssystem.

#### ***Särskilda villkor för det Finska Retailerbjudandet***

Den lägsta möjliga teckningen per investerare i det Finska Retailerbjudandet är 70 Erbjudandeaktier. Den högsta möjliga teckningen per investerare i det Finska Retailerbjudandet är 11 999 Erbjudandeaktier. Investerare som önskar att teckna ett större antal Erbjudandeaktier ska istället göra det genom det Institutionella Erbjudandet.

Teckningar i det Finska Retailerbjudandet ska göras under Teckningstiden på hemsidan för UB Securities på [www.unitedbankers.fi](http://www.unitedbankers.fi) eller på UB Securities Ltd:s kontor på Alexandersgatan 21 A, 3 vån., 00100 Helsingfors, Finland.

Investerare i det Finska Retailerbjudandet måste följa de, vid var tidpunkt gällande praktiska instruktioner som meddelats av Arrangörerna.

Investerare i det Finska Retailerbjudandet ska betala teckningspriset när teckningsanmälan görs på UB Securities hemsida.

Investerarna som tecknar Erbjudandeaktier i det Finska Retailerbjudandet måste, när teckningen görs, betala ett initialt teckningspris per Erbjudandeaktie om 9,80 EUR, det vill säga det högsta priset i det Indikativa Prisintervallet. Om det slutliga Teckningspriset är lägre än det pris som investeraren betalat vid tiden för teckningen, kommer överskjutande belopp som betalats av investeraren återbetalas till investeraren inom sju finska bankdagar från den dag då styrelsen beslutade om tilldelning av Erbjudandeaktierna. Ingen ränta kommer att betalas på det belopp som återbetalats. Om en investerare tilldelas färre Erbjudandeaktier än vad investeraren tecknat, kommer överskottet som betalats återbetalas till investeraren inom sju finska bankdagar från den dag då styrelsen beslutade om tilldelningen av Erbjudandeaktierna.

Bolaget kommer, efter eget bestämmande, besluta om tilldelningen av Erbjudandeaktierna mellan investerarna i det Finska Retailerbjudandet.

Erbjudandeaktier kommer att levereras till investerare i det Finska Retailerbjudandet genom Euroclear Finlands värdeandelssystem.

#### ***Särskilda villkor för det Svenska Retailerbjudandet***

Den lägsta möjliga teckningen per investerare i det Svenska Retailerbjudandet är 70 Erbjudandeaktier. Den högsta möjliga teckningen per investerare i det Svenska Retailerbjudandet är 11 999 Erbjudandeaktier. Investerare som önskar att teckna ett större antal Erbjudandeaktier ska istället göra det genom det Institutionella Erbjudandet.

Anmälningar i det Svenska Retailerbjudandet skall göras under Teckningstiden genom att skicka in en ifylld anmälningssedel till Pareto Securities AB (Sweden) via brev eller e-post [issueservice.se@paretosec.com](mailto:issueservice.se@paretosec.com).

Anmälan skall göras på särskild anmälningssedel som kan erhållas från Pareto Securities AB eller från Bolaget. Anmälningssedlar finns även tillgängliga på Bolagets hemsida ([www.nexstim.com/IPO](http://www.nexstim.com/IPO)) eller på Pareto Securities AB:s hemsida ([www.paretosec.com/corp/nexstim](http://www.paretosec.com/corp/nexstim)).

Bolaget kommer, efter eget bestämmande, besluta om tilldelning av Erbjudandeaktier mellan investerare under det Svenska Retailerbjudandet. Information om tilldelningen beräknas skickas via e-post och vanlig post omkring den 27 oktober 2014. De som inte tilldelats Erbjudandeaktier kommer inte att meddelas.

Förutsatt att inga ändringar görs i Teckningstiden, skall Erbjudandeaktiernas teckningspris betalas i svenska kronor senast den 30 oktober 2014 i enlighet med instruktionerna i meddelandet om tilldelning som skickats till investeraren. Om betalning inte görs i tid, får Bolaget efter eget bestämmande bortse från teckningen och tilldela Erbjudandeaktierna på nytt.

		Erbjudandeaktier kommer att levereras till investerare i det Svenska Retailerbjudandet genom Euroclear Swedens värdeandelssystem.
E.4	För emissionen betydande intressen och intressekonflikter	Arrangörernas arvode är bundet till det belopp av medel som införskaffas genom Erbjudandet.
E.5	Lock up-avtal	<p>Arrangörerna och Bolaget har åtagit sig att Bolaget inte utan skriftligt medgivande från Arrangörerna och med vissa undantag, får emittera eller på annat sätt överlåta eller pantsätta, Aktier eller värdepapper i Bolaget som ger rätt till Aktier, under en period om 12 månader efter den första dagen för handel i aktier på First North Finland eller First North Sweden (det som inträffar först).</p> <p>Arrangörerna och de nuvarande aktieägarna i Bolaget som, per dagen för Prospektet, äger mer än 1% av de utestående aktierna i Bolaget eller är medlemmar av styrelsen eller ledningsgruppen, har åtagit sig att med vissa undantag inte sälja eller på annat sätt överlåta eller pantsätta Aktier eller optioner i Bolaget som ägs av dem på dagen för detta Prospekt. Denna period gäller 12 månader efter den första dagen för handel i Aktierna på First North Finland eller First North Sweden (det som inträffar först).</p>
E.6	Utspädningseffekt	<p>Enligt Bolagets optionsprogram kan, per dagen för detta Prospekt, totalt upp till 786 940 nya Aktier tecknas genom utnyttjande av de optioner som Bolaget har emitterat inom ramen för existerande optionsprogram. Sådana nya Aktier motsvarar ungefär 14,3% av Bolagets Aktier och röster (inklusive Aktier tecknade genom utnyttjande av de nämnda aktieoptionerna).</p> <p>Efter fullföljandet av Erbjudandet kommer den omedelbara utspädning av ägandet i Bolaget för aktieägare som äger aktier före Erbjudandet att vara ca 37,83 % vid emission av 2 873 563 Erbjudandeaktier (dvs. förutsatt att Erbjudandet tecknas till fullo) och utan beaktande av utspädningseffekten av aktieoptionerna. Sådant belopp kommer att öka till 41,17 % om Tilldelningen av Ytterligare Aktier utnyttjas till fullo.</p>
E.7	Kostnader som åläggs investerare	Ej tillämplig. Investerare åläggs inga kostnader genom Nexstim. Depåinstitut, kontoförande institut och mäklare erhåller normala provisioner för handel med aktier. Varje förvaltare och kontoförande institut kommer att ta ut avgifter i enlighet med sin egen prislista för att upprätthålla ett VP-konto och för enskilda bokningar på kontot.

## RISK FACTORS

*Potential investors should carefully review the information contained in this Prospectus, and in particular, the risk factors described below. The following description of risk factors is based on information known and assessed on the date of this Prospectus and, therefore, is not necessarily exhaustive. Should one or more of the risk factors described herein materialise, it could have a material adverse effect on Nexstim's business, financial condition and results of operations and investors could lose a part or all of their investment. Nexstim also faces many additional risks not currently known or not currently deemed material that could also impair its business, financial condition and results of operations. Potential investors should note that the order in which the risk factors are presented does not reflect the probability of their realisation or order of importance. This Prospectus also contains forward-looking statements, which involve risks and uncertainties. Nexstim's actual results of operations could materially differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus.*

### **Risks relating to the Company and its business operations**

#### ***The Company has a history of operating losses and the operations may never become profitable***

Nexstim has incurred significant operating losses since it was founded in 2000. The loss for the accounting period ended 31 December 2013 was EUR 4,514.9 thousand. As of 31 December 2013, the Company has accumulated losses of EUR 32,791.4 thousand. These losses have resulted principally from costs incurred in research and development, pre-clinical testing, clinical development of research programmes and products and from general and administrative costs associated with the Company's operations. In the future, Nexstim intends to continue to conduct research and development, pre-clinical testing, clinical trials, regulatory compliance activities and start sales and marketing activities that, together with anticipated general and administrative expenses, will likely result in the Company incurring further significant losses for the next years.

There can be no assurance that the Company will earn revenues or achieve profitability, which could impair the Company's ability to sustain its operations or obtain any required additional financing. Even if the Company achieves profitability in the future, the Company may not necessarily be able to sustain profitability in subsequent periods. It is likely that the Company will experience fluctuating revenues, operating results and cash flows. As a result, the financial results of different accounting periods are not necessarily comparable with each other and results of operations in prior accounting periods should not be relied upon as an indication of future performance.

#### ***The Company's working capital is not sufficient to meet Company's requirements***

On the date of this Prospectus, the Company estimates that it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus or as of the date of the FN Listing (see "*Operating and Financial Review and Prospects – Working capital statement*"). Nexstim expects to receive net proceeds of approximately EUR 18-22 million from the Offering, after deducting commissions and estimated offer expenses payable by the Company of approximately 2-3 million, in the aggregate. Subscriptions made by setting off the capital loan issued in September 2014 have not been deducted from such proceeds (for further information see "*Operating and financial results and prospects – Financing and liquidity – Capital loans from shareholders*"). That will be sufficient to cover the EUR 10 million working capital shortfall during the next 12 months. As at the date of this Prospectus the Company's working capital suffices until the mid-November 2014. Therefore, the Company is of the opinion that if the Offering is completed in the intended timetable the proceeds from the Offering (together with its available cash in hand and at banks) provide the Company with sufficient working capital to meet its current for a period of at least 12 months as of the date of this Prospectus or as of the date of the FN Listing. The remaining funds received in the Offering will be used in accordance with the section "*Reasons for the Offering and use of proceeds*".

If the Offering is not completed as expected, the Company may need to seek additional debt or equity financing or adjust its cost structure, primarily by decreasing its fixed expenses, such as personnel expenses, and if necessary, by postponing or suspending the Phase III multi-centre trial and the accrual of expenses related thereto. There can be no certainty that the Company can adjust its costs or acquire sufficient additional debt or equity financing under these circumstances. If additional financing is not obtained, the Company may meet financial difficulties. This could have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

#### ***The Company and its products are in the development phase***

Nexstim is a growth and research company. The financial and operative business planning of Nexstim is more challenging than the financial and operative planning of a well-established company because the Company's products are in the development phase and therefore the Company's products do not have an established market position. Consequently, executing the Company's business plan and achieving its targets is associated with greater risks and

uncertainties than the operations of companies with established business activities. The research and development projects related to the products of the Company incur significant costs.

Turning Nexstim's business profitable and the future prospects of the Nexstim depend greatly on the Company's ability to finalise the development of its products and to establish a market for the products. To this end, the Company must complete various intermediate steps. Such necessary steps include the completion of the ongoing clinical trials, obtaining the necessary regulatory authorisations (especially FDA clearance for the NBT System) in the countries where the products will be sold, finding suitable manufacturers and distributors, negotiating and entering into commercialisation, distribution and other cooperation agreements, and successfully marketing the products to prospective customers. Nexstim's ability to successfully market the products to the customers will at least in part depend on Nexstim's ability to convince the medical community of the safety and efficiency of its products as well as on its ability to promote changing existing diagnostic, therapy and treatment practices in a direction favourable for Nexstim's products.

In addition, obtaining the needed financing has a material effect on the Company's financial condition and possibility to implement the business plan. Many of the factors affecting the results of the business of the Company, such as third-party cooperation agreements and possible applications for grants and subsidies, are for the most part beyond the control of the Company. There is no certainty on whether the Company is able to finalise the development of its products and establish a market for the products. Failure to do so would have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company may not be able to carry through the NBT System's Phase III multi-centre trial in the estimated timetable or budget, finalise the trial or the trial may not show clinical efficiency***

The Company is currently conducting a Phase III multi-centre trial in twelve different sites in the US for the purposes of showing the clinical efficiency of NBT System used for post-acute rehabilitation of stroke patients by way of the trial (see "*Description of Business – Application in stroke therapy - NBT System – Phase III trials*"). The estimated duration of the ongoing trial is dependent on the time in which recruitment of patients is done and how well they participate in the research in accordance with the research protocol reviewed by the FDA.

The trial is being run by a clinical research organisation (CRO). The CRO, however, may fail to keep the database and data solid and to monitor the trial sites to follow the protocol. Any disruptions or delays in such processes may result in material delays in the timetable of the trial or budget overruns. In addition, the Phase III trial may be delayed or stopped due to a decision of the Data Safety Monitoring Board if there is a safety issue with the trial or if it is not showing any clinical efficiency or is deemed insufficient to show any clinical relevance.

There can be no certainty that the Company's Phase III multi-centre trial reaches its end point or shows the required clinical efficiency, in which case the Intended For Use claim (IFU) of Company's products may be limited, for example by restricting the target group of the treatment. This may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company's products will require certain authorisations, such as FDA clearance for the NBT System, 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***

Safety and efficiency proved by clinical and other such investigations are the conditions for obtaining a marketing authorisation for a medical device. Nexstim invests in the safety and efficiency of its products as well as in research and development activities, but prior to the completion of clinical trials, there is no certainty that the Company's products meet the conditions of granting a marketing authorisation. In addition, there is no certainty on how the Company's products are evaluated during the marketing authorisation procedure. Should the Company fail to sufficiently prove the safety and efficiency of the devices under development, this may result in delay or denial of the required marketing authorisations or a more extensive authorisation procedure may be required for the device (more information about the authorisation procedures see "*Market overview – Characteristics of medical device market – US regulatory clearance process*"). In addition, it is possible that authorities do not accept the Company's research plans for clinical studies, in which case the Company may be forced to modify or withdraw from its plans. Currently the Company does not have a marketing authorisation by the FDA for the NBT System in the US.

Even if a positive decision on the marketing authorisation is given, medical devices and their manufacturers and marketers are under constant supervision by the authorities. In addition, the manufacturers and marketers of such devices are subject to a broad reporting obligation on the safety of their products. Even after granting a marketing authorisation a revelation of previously unknown problems related to a device or its manufacturer or marketer may lead to restrictions regarding the device or its manufacturer or marketer, including withdrawal of the device from the market. Among other things, the above mentioned events may hinder the Company's ability to sell its products, delay the marketing of its products, or, if marketing authorisation is not obtained, or if it is cancelled, prevent the sale of its products altogether either in a particular market area or worldwide. If the Company does not obtain or fails to maintain the required marketing authorisations, it may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company may not be able to get the estimated reimbursement code and reimbursement coverage***

If the FDA clearance to market the NBT System in the US is gained, Nexstim needs to apply for a reimbursement code in order to get reimbursement coverage for the treatment with the NBT Systems. The Company's NBS System already has a reimbursement code in Germany and a preliminary reimbursement code in the United States, but the NBS treatment does not, however, have a defined amount of coverage in either country. Reimbursement coverage is the amount compensated to the supplier of the NBS or NBT treatment, for example to a hospital, by either a governmental payer (for example Medicare or Medicaid in the US) or a private healthcare insurance company (for example Aetna in the US). See "*Industry overview – Characteristic of the medical device market – Reimbursement process*" It is crucial that the Company gets reimbursement code for the treatments made with the NBT System and that the healthcare provider gets the reimbursement for such treatment because without such code and agreed reimbursement the reimbursement coverage cannot be applied and the patient would have to pay for the treatment in its entirety. This could reduce the demand for Nexstim's devices significantly. In addition, the amount of reimbursement coverage payable to hospitals decided by the payers is important to the Company as well, as the higher the reimbursement coverage is, the easier it is to market the Company's devices. However, there can be no certainty that the Company gets the reimbursement coverage in the amount projected in the price estimations or at all. The reimbursement for treatment with the Company's products varies between geographical areas and countries due to different policies adopted by payers and different healthcare models applied in different countries. Therefore, should the Company decide to penetrate new markets, there can be no certainty on getting the estimated reimbursement coverage in those markets as well. Failing to get the estimated reimbursement code and coverage fully or in sufficient amounts may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects

***Healthcare providers and hospitals may not adopt the Company's technology and treatment modality in the estimated manner or extent***

Healthcare providers, such as rehabilitation centres and hospitals are Nexstim's direct customers, and Nexstim's business is reliant on the demand of these customers and on entering into profitable agreements with them. Nexstim's ability to become successful will depend significantly on its ability to convince its customers of the advantages of its devices as well as on its ability to promote changing existing diagnostic, therapy and treatment practices in a direction favourable for the Company's products. Even if the Company gets the estimated reimbursement code and reimbursement coverage for treatment with its devices as explained above, there can be no certainty that the healthcare providers and/or hospitals adopt the new technology and treatment modality in the estimated manner and extent. Further, the payer coverage adaptation, i.e. how quickly the payers, i.e. both governmental payers and private health insurance companies, will accept the code for reimbursement, may differ from projections made by Nexstim. Further, the end user pricing of Nexstim's products, of the consumable parts or of the after sales parts may differ from the prices projected in the estimations, which may result in different gross margin from the sales than projected. As the market evolves, the price erosion may also occur and affect the pricing of Nexstim's products. Should the healthcare providers and/or hospitals not adopt Nexstim's technology at a projected price, it may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company's operations may be interrupted due to problems associated with its suppliers***

Nexstim's devices are manufactured by a subcontractor Innokas Medical Oy. Nexstim purchases components also from several other suppliers such as NDI Europe, Excelitas Technologies and Mitsubishi Electric Corporation. Therefore, Nexstim is dependent on the availability and delivery schedule of its suppliers. Certain components may be "single source" components, which may be difficult to replace quickly without a delay on delivery times. Even if a replacing component would be available, purchasing such component may also result in additional testing and costs. With a certain component, Nexstim may be dependent on one manufacturer, and in case such component is removed from the manufacturer's product range, it can materially impair the production of the Company's products. Disturbances in the availability of the suppliers, in the delivery schedules or in the availability of components may have a material adverse effect on Company's business, results of operations, financial condition and/or prospects.

***The Company may not be able to maintain the required certifications and approvals***

Nexstim has achieved ISO 9001 Quality Certification and is ISO 13485 (medical devices standard) certified. There can be no assurance that Nexstim is able to maintain the required certifications and approvals that the authorities such as the FDA require, or that it will pass the audits of the supervising authority such as Technical Research Centre of Finland (VTT) or FDA. Despite the fact that Nexstim continuously monitors and maintains compliance to MD Directive, Good Manufacturing Practice (GMP) and 13485 ISO certificate through its audited quality management system according to the applicable standards, there is a risk that such certifications and approvals could be suspended or withdrawn, in addition to which additional requirements may be imposed for maintaining such certifications and approvals. This may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company may not be able to sufficiently protect its intellectual property rights***

Nexstim takes active measures to obtain protection of its intellectual property by obtaining patents and undertaking monitoring activities in its major markets. The intellectual property rights portfolio of Nexstim is further described in "Description of Business – Intellectual property". In addition to its patent portfolio, Nexstim relies on trade secrets, know-how, and active research and development in combination with non-disclosure agreements and certain other agreements to protect intellectual property rights. However, there can be no assurance that the measures Nexstim takes will effectively deter competitors from improper use of its intellectual property. Competitors may misappropriate intellectual property owned or licensed by Nexstim disputes as to ownership of intellectual property may arise, and intellectual property may otherwise become known to or independently developed by competitors. There can be no assurance any patents currently applied for, or that will be applied for in the future, will be obtained or that the patent granted in the future will create a sufficient protection against competitors. Nexstim may also decide to engage in proceedings aiming to prevent third parties from obtaining patent protection or other protection regarding the immaterial property rights, which may cause significant costs for the Company. Further, there are no guarantees that Nexstim's employees, consultants or any other parties will not breach their confidentiality obligations in relation to Nexstim's trade secrets in a manner endangering Nexstim's intellectual property rights.

Any failure to protect Nexstim's intellectual property may have a material adverse effect on Nexstim's business, financial condition, results of operations and/or prospects.

***The Company may infringe third party intellectual property rights or claims may be made against the Company on such infringements***

Nexstim takes active measures to ensure that it does not infringe the intellectual property rights of others by actively conducting FTO (Freedom to operate) searches in the product development phase and by occasionally using third party patent searches. Certain technologies and processes used by Nexstim may, however, be protected by intellectual property rights of third parties in certain countries, and non-infringement of third party intellectual property rights by Nexstim cannot always be ruled out with certainty. Such third parties may take legal action against the infringement of these intellectual property rights, Nexstim may be forced to cease to use such technology in its products, and any such claims could delay or prevent the development and delivery of its products by Nexstim.

Further, Nexstim may have to replace its technology with another technology, or acquire a license for the use of such technology, in which case the Company may have to pay license fees or royalties for its use. There are no guarantees that Nexstim is able to obtain such licenses at commercially acceptable terms, if at all. Potential patent infringements may cause significant costs for Nexstim and there are no guarantees that Nexstim can successfully refuse such claims. Any infringements of third party immaterial property rights or any potential claims by third parties may have a material adverse effect on Nexstim's business, financial condition, results of operations and/or prospects.

***A developed market for Company's products does not exist and the market does not necessarily develop to the desired direction or extent and the technology and products of the Company may not remain competitive***

Nexstim's devices are in a transition from research phase to clinical use. Currently there are no direct competitors for Nexstim's devices but there are companies that may become competitors in the future. In addition, there are indirect competitors on the market who offer alternative diagnostic and therapeutic methods, and whose solutions may gain significant market shares on Nexstim's target markets in the future. Nexstim is a developer of navigated TMS devices and currently the only company with clinical proof of treatment of motor and speech cortices with NBS devices and FDA clearance for their selling and marketing. The Company's ability to become successful will at least in part depend on its ability to convince the medical community of the advantages of its devices as well as on its ability to promote changing existing diagnostic, therapy and treatment practices in a direction and extent favourable for Nexstim's products. However, there can be no guarantee that the technology developed by Nexstim will become the leading technology in the market or that the Company succeeds to establish a market for its products. It is possible that a technology developed by an indirect competitor gains ground, becomes established and sets aside the technology developed by Nexstim. Further, it is possible that new competitors with similar devices penetrate the market in which Nexstim operates. There can be no assurance that Nexstim will be able to effectively respond to changes in the market or that new and enhanced products and technologies developed by current or future competitors will not reduce the competitiveness of Nexstim's products. If Nexstim is not successful in developing its technology or if demand for the technology that Nexstim develops does not materialise, it may be required to write off its investment in such technology and receive no benefit for its investment, which could have a material adverse effect on Company's business, financial condition, results of operations and/or prospects.

***The expected income from capitalised development costs and intangible rights may prove to be weaker than expected***

Nexstim had capitalised development costs of EUR 98.9 thousand and intangible rights of EUR 366.1 thousand as of 30 June 2014. The assets are amortised on a straight line basis in five years. Adverse changes in expected future profitability may lead to changes in amortisation period or recognition of impairment losses. If the Company is required to change amortisation period or recognise impairment losses, it could have a material adverse effect on the Company's financial



condition and results of operations.

***Development of the financial condition of group companies may be weaker than expected***

As the subsidiaries of Nexstim are limited liability entities, Nexstim is not automatically responsible for the financing or capitalisation of such subsidiaries. However, there are contractual arrangements according to which the parent company could be responsible for providing further financing for its subsidiaries or covering for the subsidiaries' obligations. Parent company had receivables from subsidiaries EUR 3,686.5 thousand and the carrying value of investments in subsidiaries amounted to EUR 408.9 thousand on the parent company balance sheet dated on 30 June 2014. Inability to generate sufficient profits in the future might lead to impairment losses to be recognised on the loan receivables and investments in subsidiaries in the parent company stand-alone financial statements. The possible impairment losses could have a material adverse effect on Company's business, financial condition and results of operations.

***Company may not be able to utilise all tax losses incurred***

Nexstim had EUR 25,804.0 thousand unused tax losses as at 31 December 2012. The tax losses are mainly due to research and development activities of the Company. No deferred tax assets have been recognised from tax losses on the balance sheet. Due to the historical share issues, there have been changes in ownership of the Company which restrict the utilisation of tax losses in the future. The tax authorities have granted an exemption to utilise tax losses despite the changes in ownership. The decision also covers tax losses arising in years 2013 and 2014 and changes in the shareholdings in the year 2014. The State Representative has a right to claim against the granted exemption order during 60 days and this claiming period is open at the date of this Prospectus. Therefore, it is possible that the exemption order will be claimed against and the Company will not be able to utilise the mentioned tax losses.

The utilisation of tax losses require future taxable profits that are offset against the losses. There is no certainty that the Company will generate sufficient profit in the future to be able to utilise the tax losses partly or in full. This could have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

***The Company's unaudited pro forma financial information may not accurately reflect the financial position of the Company during the future reporting periods***

The unaudited pro forma information may not accurately reflect what the financial position would have been if the capital reorganisation measures taken after 30 June had been consummated at an earlier date. See the "*Pro forma financial information*".

Unaudited pro forma information included elsewhere in this Prospectus has been prepared for illustrative purposes only, and because of its nature, it addresses to a hypothetical situation. Therefore, it does not necessarily represent what the Company's financial position is on the future reporting dates, and they should not be used as a basis for projecting the results of operations or financial position. The pro forma adjustments are based on upon the Capital reorganisation measures taken in July - September 2014. The financial position presented in the unaudited pro forma information may differ from the actual.

***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 prepares its financial statements in accordance with the Finnish accounting standards. Possible future changes in Finnish accounting regulation or the Company's decision to adopt International Financial Reporting Standards ("IFRS") would expose the Company to risks related to changes in accounting policies and reporting standards and changes in accounting systems which may affect the reported profitability and/or financial position and key ratios of the Company. Company has not made a decision to prepare its consolidated financial statements according the IFRS.

***The Company may become subject to product liability claims and other claims***

The performance, quality and safety of the Company's products are critical to the success of its business. These characteristics depend significantly on the effectiveness of quality control systems, and the efficiency in turn depends on a number of factors, including the quality of the training programs, the design of the systems, and Nexstim's ability to ensure that its employees adhere to quality control guidelines and policies. Any significant failure or deterioration of Nexstim's quality control systems could have a material adverse effect on the Company's reputation and could result in product liability claims. In addition, a possibility of a treatment injury resulting from side effects caused by the treatment with the Company's device or from the fact that a physician misuses Nexstim's device or uses it against its purpose cannot be ruled out. Hospitals using the Company's devices have insurances covering such incidents, but it is possible, especially in the US, that a legal action would be taken also against the Company, should such incident occur. The Company seeks to insure the mentioned risks, but its insurance coverage may be limited or unavailable and thus might not fully or even partially protect the Company against liabilities arising from product liability claims. Additionally, the Company may not be able to insure certain product liability risks on commercially reasonable terms or at all. Accordingly, a major claim, or

a series of smaller claims, for damages related to the Company's products sold, or advice given to customers in connection with products sold, may, to the extent not covered by insurance, have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

***The Company may in the future be involved in litigation and arbitration proceedings***

In the normal course of its business activities, Nexstim could be involved in legal proceedings (for instance, regarding contractual responsibility, employers' liabilities, anti-bribery and anti-corruption matters, penal issues or consumer law violations) and be subject to tax and administrative audits. Further, the Company may incur litigation costs relating to claims against the Company, and the litigation costs may in some instances be payable by the Company even if the Company is successful in defending the claim. The outcome of the judgments of these claims, and the costs incurred in connection to the claims, may have a material adverse effect on the Company's business, results of operations, financial condition, and/or prospects. It should also be noted that the US is an important market for the Company, and when operating in the US, the Company must comply with the local legislation. It is possible that the Company will be subject of claim for damages or other claims which could have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company may be adversely affected by financial difficulties at or bankruptcy of one or more of its customers, partners, suppliers or other counterparty***

Some of Nexstim's customers, partners and suppliers have experienced financial and operational difficulties through-out the recent financial downturn, resulting from among other things the reduction of financing in European hospitals. The continuation or exacerbation of the difficulties experienced by these customers, partners or suppliers could place them in additional financial and operational distress or could even result in bankruptcy. Further, a number of the Company's customers are, or could in the future be, in difficulties in their own domestic markets. This could reduce the demand for the Company's products from its customers, which could have a material adverse effect on the Company's revenue. Moreover, if the Company is not able to collect its receivables in a timely manner or at all, this could have a material adverse effect on the Company's sales and cash flow and therefore possibly require the Company to contribute additional capital or obtain alternative financing to meet its obligations under any financing arrangements. Similarly, any financial difficulties experienced by the Company's partners could result in an interruption of cooperation, and financial difficulties experienced by the Company's suppliers could result in an interruption in the supply of components and services. The Company is subject to such credit and counterparty risks and aims to manage these risks by way of careful survey of the background of its customers. Despite the Company's active measures to manage credit and counterparty risks the realisation of these risks may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company is reliant on its information systems***

Nexstim's business is dependent on information technology and on Nexstim's ability to use information systems and other similar information and communications systems maintained internally or offered and supported by third parties. Nexstim uses information systems at every stage of the research and development as well as production from planning to distribution), and also uses such systems as a communication channel with employees, foreign subsidiaries, contract suppliers, customers and other stakeholders. In addition, Nexstim utilises information systems in financial administration, debt collection, customer service and forecasting results and cash flow.

System failures and service breaks are a possible outcome of several factors, many of which are wholly or partially outside the control of the Company. Such factors may result from computer viruses, security breaches and other illegalities of third parties, natural catastrophes, malfunctions of appliances, machines or software, connection failures, long-term power outages or the Company's inability or failure to properly protect, repair or maintain the communications and information systems. Problems associated with information systems may have a material adverse effect on the Company's business, results of operations financial condition and/or prospects.

***The Company is reliant on its ability to recruit and retain relevant key personnel***

Nexstim's success is materially dependent on the professional expertise of Nexstim's management and other key personnel, as well as on Nexstim's ability to retain the current management and other key personnel and recruit new, skilled employees in the future too. To remain competitive and to be able to implement its strategy, Nexstim will, in all sectors of its business operations, have to be successful in recruiting and retaining sufficiently many highly skilled employees with appropriate expertise. Some of this competence is held by certain key persons who are of particular importance in ensuring that the Company retains and develops its competitiveness. The future growth and profitability of Nexstim's business activities depends on the Company's ability to recruit and retain such key employees, and the Company's ability to recruit the required number of industry trained and skilled individuals. Failure in recruiting and retaining relevant key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

***The Company is reliant on its ability to find and retain research partners***

Nexstim has entered, and may in the future enter, into research and development agreements with e.g. rehabilitation centres, universities and other such research centres. There can be no assurance that Nexstim will manage to retain these partnerships or find suitable partners and enter into agreements with them on commercially favourable terms or at all. In addition, it is uncertain whether the current partnerships will produce desired results. Should there be any disagreement with a research partner regarding the cooperation, there can be no assurance that Nexstim will be able to resolve it in a manner that will be in its best interests. In addition, Nexstim's research partners may have interests or goals that are inconsistent with those of Nexstim and they may take actions contrary to Nexstim's instructions, requests, policies, schedules or business objectives. Furthermore, a research partner may be unable or unwilling to fulfil its obligations, have financial difficulties, require Nexstim to make additional investments, or have disputes with Nexstim regarding their rights (including intellectual property rights and the allocation thereof between Nexstim and the research partner), responsibilities and obligations.

If Nexstim decides to withdraw from the cooperation with a research partner or if Nexstim loses a research partner, it may face loss of access to important research results and may have to invest considerable resources to make up for any such loss. In addition, a certain research partner may also be or become a competitor and frustrate the competitive advantage resulted from the research results. Any of these or other factors may have a material adverse effect on Nexstim's research partnerships and Nexstim's ability to obtain the economic and other benefits it seeks from participating in these partnerships, which, in turn, may have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

***The Company has limited experience in sales, marketing and distribution***

As Nexstim is a company in development phase, it has marketed before only the NBS System but not the newest NBT System and has therefore only a limited experience in the fields of sales, marketing and distribution of diagnostic and therapeutic products. Nexstim has currently no sufficient marketing or sales capacity for the commercialisation of the NBT System and therefore it intends to set up its own marketing and sales organisation as soon as the information from the Phase III multi-centre trial is gathered and Nexstim acquires the necessary financing for building its sales and marketing channel. As a consequence, Nexstim will have to acquire marketing skills and develop its own sales and marketing infrastructure which will incur additional expenses and require management resources, implementation of new sales and marketing practices and a sufficient amount of time for the Company to set up the appropriate organisation and structure to market the products, in accordance with applicable laws. While several managers of Nexstim have commercialised and launched high technology medical products, there can be no assurance that the existing limited experience of Nexstim will be sufficient to effectively commercialise any or all of the Company's products. Such events could have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

***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***

Nexstim's business is highly regulated and subject to a high amount of legislation and regulation. Additionally, Nexstim is subject to supervision by regulatory authorities and such authorities have broad administrative and discretionary powers over Nexstim. As Nexstim operates in Finland, Germany and the United States, Nexstim has to comply with a wide variety of laws and regulations enacted on both national and supranational level, most notably medical regulations, health and safety regulations, labour regulations, competition regulations, corporate regulations, tax regulations and securities market regulations. Nexstim's management considers that, at present, Nexstim is in all material respects in compliance with all material legislation and other regulations.

Despite Nexstim's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, these compliance procedures may be inadequate or otherwise ineffective, including e.g. by reason of human or other operational errors in their implementation. Nexstim may also fail to comply with applicable laws and regulations as a result of unclear regulations, regulations being subject to multiple interpretations, regulations being contradictory or being under development, or as a result of a shift in the interpretation or application of laws and regulations by regulators. Failure to comply with any applicable laws and regulations could subject Nexstim to a number of consequences, including monetary and administrative penalties or other enforcement measures imposed by regulatory authorities, unanticipated costs associated with remedying such failures (including claims from Nexstim's customers), criminal prosecution, adverse publicity, harm to Nexstim's reputation, temporary interruption of operations, and revocation or temporary suspension of its licences or permits. Each of these risks, should they materialise, may have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

***The insurance coverage of the Company may not be comprehensive and the Company may not be fully insured against all risks***

Nexstim's facilities, equipment and other property could be at risk of being damaged, because of events such as

mechanical failures, human error and natural hazards. All of these hazards can result in loss of property, property damages, business interruption and delays. Further, Nexstim may face product liability claims or be adversely affected by events leading to the interruption of its business. Nexstim seeks to insure such risks to an appropriate extent and accordingly, has in place insurances providing coverage against conventional liability claims, product liability claims, management liability claims, loss of property and costs of medical treatment of employees. However, Nexstim's insurances may be inadequate or unavailable to protect the Company in the event of a claim or other loss. In addition, the Company's subsidiaries have conventional insurances in place in their respective operating countries, including insurances related to social security. Insurances may also be cancelled or otherwise terminated. Additionally, there are risks in respect of the Company's insurance coverage. Nexstim may not be able to continue to obtain insurances on commercially reasonable terms or at all. Nexstim may face with types of liabilities or losses that will not be covered by the insurance, such as liabilities for breach of contract. The amount of any liabilities may exceed the Company's insurance coverage limits and the Company may incur losses from interruption of its business that exceed or are excluded from the insurance coverage. Even a partially uninsured claim, if realised and of significant size, and the materialisation of any of the above risks may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***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***

Nexstim's tax burden is dependent on specific aspects of tax laws, tax treaties, and tax regulations in a number of jurisdictions, including Finland, Germany and the United States, including their application and interpretation. Changes in relevant tax laws, tax treaties or regulations, or their interpretation or application could significantly increase Nexstim's tax burden. Nexstim may also be subject to tax audits by the national tax authorities. As a result of possible tax audits or other review actions of the relevant market surveillance authorities or tax authorities, additional taxes (including income taxes, withholding taxes, real estate taxes, capital taxes, transfer taxes and value added taxes) or penalties could be incurred, which could lead to an increase in the Company's tax liabilities, either as a result of the relevant tax payment being assessed directly against the Company or as a result of the Company becoming liable for the relevant tax as a secondary obligor. The imposition of additional taxes or related penalties may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***Tekes funding may not be available in the future and may become repayable prematurely***

Tekes has granted Nexstim certain grants and loans which have been awarded based on certain conditions. If such conditions are subsequently not met, certain or the entire amounts of such grants or loans may be required to be repaid. Nexstim considers itself to be in compliance with all rules and legal obligations pertaining to these funding programmes and is in regular contact with Tekes. Availability of grants and loans in the future cannot be guaranteed, which poses a potential risk to the income of Nexstim in the future.

Some grants and loans received may be revoked on the basis of a change of control in the Company. The prior consent of Tekes is required before effecting any transactions that may result in the change of control in Nexstim. A risk exists that, in case Company would be acquired by another company, Tekes would not give their consents to such transaction and would cease to provide more funding and, in the worst case, revoke the grants or loans provided earlier.

Inability to meet conditions required for receiving grants or loans, possible obligations to pay back certain or the entire amounts of such grants or loans or the unavailability of grants or loans in the future may have a material adverse effect on Company's business, result of operations, financial condition and/or prospects.

***The Company could encounter difficulties in refinancing its debt***

The Company's long term interest-bearing liabilities were EUR 4,333.3 thousand as at 30 June 2014. EUR 2,830.2 thousand were R&D loans and EUR 500.0 thousand subordinated loan from Tekes. The Company is obliged to amortise the majority of its long term interest-bearing liabilities to Tekes during the years 2016-2020. There can be no assurance that the Company is able to refinance its existing debts as they fall due on commercially reasonable terms or at all.

In addition, the adverse developments in the credit markets, as well as other future adverse developments, such as the further deterioration of the overall financial markets, tightening of banks' capital requirements or lending conditions, or adverse changes in the general economic conditions, could have a material adverse effect on the Company's ability to borrow additional funds as well as on the cost and other terms of funding. The failure to obtain sufficient financing for the Company's operations or increased costs or unfavourable terms of financing may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***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's liquid assets i.e. cash in hand and at banks are insufficient to finance the intended investments and eventual instalments of loans in the long term. Currently Nexstim is developing a device for the treatment of stroke patients and in the near future Nexstim intends to apply for the needed regulatory clearances, FDA's sales and marketing clearance in particular for NBT System, the Phase III trial of which is currently underway. If the clearance is obtained, Nexstim will, however, after the Phase III trial is completed, need significant amount of additional financing to be able to commercialise the NBT System it has developed. The Company does not expect that its current funds and the funds from the Offering will be sufficient to cover the commercialisation of the NBT System. If Nexstim fails to obtain additional financing, commercialisation of the device may be delayed or hindered.

***The Company may be adversely affected by fluctuations in exchange rates***

Nexstim is exposed to foreign exchange risk in several currencies. For the six months ended on 30 June 2014 the Company did not have significant sales outside the Eurozone, but in the Company's history part of the sales have been, and the Company's management expects that in the future part of the sales will be, outside the Eurozone. Nexstim's main currencies for sales are the euro and the dollar. For the six months ended 30 June 2014 39 % of Nexstim's costs were incurred in currencies other than the euro. Company's main currencies for costs are the euro and the dollar.

The principal forms of risks associated with exchange rate fluctuations include transaction exposure and translation (equity) exposure. Foreign exchange transaction exposure arises when Nexstim engages in commercial or financial transactions and makes payments in currencies other than its own functional currency (being the euro), and when related cash inflow and outflow amounts are not equal or concurrent. Foreign exchange translation exposure, on the other hand, arises when the equity of a subsidiary is denominated in a currency other than the functional currency of the parent company. This exposure may lead to translation differences in Nexstim's consolidated equity. Currently Nexstim does not have arrangements in place to hedge its exposure to exchange rate fluctuations and therefore, there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects. In addition, it should be noted that increasing uncertainty in the economy is likely to increase exchange rate fluctuations. Exchange rate fluctuations may also weaken the cost competitiveness of the Company's products as compared to its competitors' products that are manufactured in other currency areas.

The aforementioned factors may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company may be adversely affected by increasing costs***

Costs in the health technology sector have increased during the recent years, and in several countries this has resulted in a need to enhance the cost structure of health care. The intensification of the cost structure sets pressure to decrease costs for example in relation to procurement of devices. This has affected and will affect the demand and pricing of Company's devices. In addition, the Company is also subject to increased costs as a result of increased competition for qualified personnel, increased facilities and utilities costs, increased insurance premium, and the introduction of new technologies, equipment and production methods or otherwise, which may have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

***Risks relating to the Offering and the Shares***

***The Offering may not be fully subscribed for or the FN Listing may not occur in the contemplated time schedule or at all***

As at the date of this Prospectus, there can be no assurance that the Offering will be fully subscribed. The Offering is conditional upon the proceeds from the Offering being at least EUR 15 million (see "*Terms and conditions of the Offering - General terms of the Offering - Conditional Offering*"). If this amount is not raised, the Offering will lapse and the FN Listing does not occur. If the Offering is subscribed only partially it is possible that the Company may not be able to carry out its business plans as presented in this Prospectus. In addition, there can be no assurance that the Company will fulfil all requirements of the FN Listing or that the FN Listing will occur in the contemplated time schedule or at all. If the FN Listing does not occur, the Offering will be withdrawn.

***Subscriptions are irrevocable, except under certain limited circumstances***

Subscriptions for Offer Shares will be irrevocable upon exercise, and except in certain limited circumstances as set forth in "*Terms and conditions of the Offering – General terms – Supplements to the Prospectus and cancellation of subscriptions*", may not be withdrawn, cancelled or modified after such time.

***The Company's concentrated ownership could affect the market price and liquidity of the Shares; the Company's majority shareholders can significantly 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***

As at the date of this Prospectus the Company's three major shareholders hold 73.33 % of all the Shares and votes issued and outstanding in the Company on a non-diluted basis. As at the date of this Prospectus, the shareholding of the Company's biggest shareholder, HealthCap V, L.P., amounts to 35.43 % of Shares and of votes. Assuming that the Offering is fully subscribed and the Additional Share Allotment is not exercised, HealthCap V, L.P. subscribes for the Offer Shares according to the subscription commitments (see "*Agreements relating to the Offering – Subscription commitments*"), and that the final Offer Price is at the low-point of the Initial Price Range (EUR 8.70), HealthCap V, L.P. will, subsequent to the completion of the Offering, hold 24.30% of all Shares and votes in the Company. The interests of the Company's largest shareholders may not necessarily be aligned with the interests of the other shareholders. Significant matters to be resolved in general meetings of shareholders of the Company include, among others, approval of the financial statements, discharging management from liability, deciding on the use of distributable funds and payment of dividends, electing members of the boards of directors and electing the auditors. This may have a material adverse effect on the position of the Company's other shareholders. Further, the concentration of ownership could delay or deter a change of control of the Company, deprive the Company's shareholders the opportunity to receive a premium for their Shares as part of a sale of the Company and adversely affect the market price and liquidity of the Shares.

***An active public market for shares in the Company may not develop, which may lead to price volatility and the lack of liquidity, in particular on First North, and the market price is subject to fluctuation in the exchange rates***

Prior to the FN Listing, there has been no public market for trading in Shares in the Company and there can be no assurance that an active market will emerge or can be sustained after the FN Listing. Liquidity may also differ on First North Finland and First North Sweden. Accordingly, there can be no assurance as to the liquidity of Shares in the Company. The market price of Shares in the Company subsequent to the FN Listing could be subject to fluctuations in response to factors such as actual or anticipated variations in the Company's operating results, announcements of innovations, introductions of new products or services by the Company or its competitors, changes in estimates by financial analysts, conditions and trends in the health technology markets, currency exchange rates, regulatory developments, general market conditions or other factors. Further, the market price on First North Sweden will be subject to fluctuations in the foreign exchange rates between euro and the Swedish krona as the Company reports in euro but the Shares admitted to trading on First North Sweden are traded and settled in the Swedish krona. In addition, international financial markets have from time to time experienced price and volume fluctuations that were unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for and the liquidity of Shares in the Company may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

***The market price of the Offer Shares could fluctuate considerably and the price of the Offer Shares could fall below the subscription price***

Shareholders holding more than one per cent of the Company's Shares and members of the board of directors and management team holding Shares in the Company have, within certain exceptions, entered into lock-up restrictions and undertaken not to transfer any Shares held as at the date of this Prospectus for a period of 12 months after the first day of trading of the Company's Shares on First North Finland or First North Sweden. Correspondingly, the Company has, with certain exceptions, undertaken not to issue or sell Shares in the Company during the same period. See section "*Lock-up arrangements*". The Company is unable to predict whether substantial amounts of Shares will be sold in the market following the termination of the lock-up restrictions. Any issues or sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Shares.

In addition to the other risk factors mentioned in this section, there are equity-market related risks that are beyond the Company's control. Equity markets have experienced significant price and volume fluctuations in recent years. The market prices of shares of companies have experienced fluctuations that have often been unrelated or disproportionate to the operating results of these companies. Such market fluctuations could result in added volatility in the market price of the Shares and the price of the Offer Shares could fall below the Subscription price.

***Holders of Shares in the Company registered in custodial nominee accounts may not be able to exercise their voting rights***

Beneficial owners of Shares in the Company whose Shares are registered in a custodial nominee account will not be able to exercise their voting right unless their ownership is re-registered in their names with Euroclear Finland prior to the general meeting of shareholders of the Company. The same applies to those shareholders whose Shares are registered with Euroclear Sweden, which includes those investors taking part in the Swedish Retail Offering and the Institutional Offering. There can be no assurance that beneficial owners of Shares in the Company will receive the notice for a general

meeting of shareholders in time to instruct their nominees to either effect a re-registration of their Shares or otherwise exercise their voting right in the manner desired by such beneficial owners. There can further be no assurance that the nominees in fact do carry out all necessary measures to enable such investors to attend a general meeting of shareholders, even where properly instructed by such investors.

***The amount of possible future dividends to be distributed to shareholders is uncertain***

Under the provisions of the Finnish Companies Act, the amount of any dividend that the Company will be permitted to distribute is limited to the amount of distributable funds shown on its latest unconsolidated parent company audited financial statements adopted by the general meeting of shareholders. Further, the terms and conditions of the Company's capital loans (being loans subordinated pursuant to Chapter 12 of the Finnish Companies Act), contain dividend restriction clauses which prohibit the Company from distributing dividends prior to the repayment in full of such capital loans and the interest accrued thereon. The Company's ability to pay dividends in the future will be affected by a number of factors, including its future earnings, cash flows, debt service obligations, investments, solvency, terms of outstanding indebtedness, ability to receive sufficient dividends from its subsidiaries and local laws and regulatory requirements. So far, the Company's operations have been unprofitable and no payments of dividends may be expected during the near future. 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. There can be no assurance that distributable funds will be available in any financial year. Further, the Company has reduced its share capital for loss coverage on 29 September 2014. Therefore, pursuant to the Finnish Companies Act, all distributions of unrestricted equity to the shareholders by the Company are subject to a public summons to the creditors until 3 October 2017.

***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***

As at the date of this Prospectus options issued and outstanding by the Company entitle to subscribe for an aggregate of 786,940 new Shares in the Company, which represent approximately 14.3 % of all Shares and voting rights attached to such shares (including Shares subscribed for under the aforementioned option rights). Approximately 50 % of the total number of options outstanding has vested and approximately 50 % will vest at the end of 2016, with certain exceptions and assumptions (see "*Company, shares and share capital – Stock options*"). The Shares issued under option rights dilute a shareholder's proportional share of ownership and may affect the market price of the Shares. Future issues or sales of a substantial number of Shares or rights entitling to Shares, or the perception that such issues or sales may occur in the future, can have a material adverse effect on the market price of the Shares as well as on the Company's ability to acquire equity financing. Additionally, any future rights issues or targeted issuances of Shares or rights entitling to Shares will dilute a shareholder's proportion of the Shares and votes to the extent that the shareholder decides not to, or is not entitled to, subscribe to those Shares or rights entitling to Shares. It is also possible that the Company will use its Shares as a means of payment in future acquisitions, which could have a material adverse effect on the market price of the Company's share.

***Investors in the Swedish Retail Offering may be adversely affected by fluctuations in foreign exchange rates***

Nexstim's reporting currency is euro. The Shares admitted to trading on First North Finland will be traded and settled in euro. However, the Shares admitted to trading on First North Sweden (including the Offer Shares subscribed for in the Swedish Retail Offering and the Offer Shares subscribed for in the Institutional Offering where the investor has elected for trading on First North Sweden) will be traded and settled in Swedish krona. Further, any future dividends will be denominated and distributed by the Company in euro. However, as regards to Shares held on book-entry accounts in the system of Euroclear Sweden, investors would receive the dividends in Swedish krona after currency conversion from euro. Consequently, the market price of the Shares traded on First North Sweden and the dividends received in Swedish krona are affected by the changes in the exchange rate of Swedish krona and euro. Therefore, as the Swedish krona is not fixed against the euro, any change in the exchange rate between Swedish krona and euro may affect the shareholder's return on investment in shares in the Company. The value of dividends and other distributions received in Swedish krona and the value of shares in the Company quoted on First North Sweden in Swedish krona could increase or decline as a result. This may have a material adverse effect on the market price of the Shares in the Company traded on First North Sweden and the future cash flows from dividends of the investors with Shares registered with Euroclear Sweden.

**Risks relating to general economic conditions**

***The Company may be adversely affected by changes in the financial markets and economic conditions generally***

During the last few years uncertain global economic and financial market conditions have had an adverse effect on general business conditions, and have increased unemployment and lowered business and consumer confidence. Despite the aggressive measures taken by various governmental and regulatory authorities as well as central banks around the world, the economic recovery has been slow. The general economic and financial market conditions in Europe and other

parts of the world have repeatedly undergone significant turmoil due to, among other factors, the on-going sovereign debt crisis in certain European countries. Uncertainty remains in the global market and there is a possibility that the global economy could fall back into a recession, or even a depression, that could be deeper and longer lasting than the recession experienced in the past years. Despite recent improvements in the financial position of many European countries, a risk remains that financial difficulties may result in certain European countries exiting the Eurozone or even in a general breakup of the Eurozone.

The Company could be impacted by the uncertainty in the global economy and financial markets. Nexstim operates in Finland, Germany and the United States and the economies of these countries have to a varying degree been adversely affected by the uncertain global economic and financial market conditions. Economic slowdown or a recession, regardless of its depth, or any other negative economic developments in the Company's current or future countries of operations may affect the Company's business in a number of ways, including among other things, the income, business and/or financial standing of the Company, its customers, partners, and suppliers. The Company may not be able to utilise the opportunities created by the economic fluctuations and the Company may not be able to adapt to a long-term economic recession or stagnation. Materialisation of any of the above risks may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

***The Company may be adversely affected by fluctuations in interest rates***

Changes in market interest rates and interest margins may affect the Company's financing costs and returns on financial investments. Although the Company expects to manage its interest rate risks, there can be no assurance that interest rate fluctuations will not have a material adverse effect on the Company's business, results of operations financial condition and/or prospects.



## RESPONSIBILITY STATEMENT

The Company accepts responsibility for the completeness and accuracy of the information contained in this Prospectus. To the best knowledge of the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

## SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. These statements may not be based on historical facts, but are statements about future expectations. When used in this Prospectus, the words "aims," "anticipates," "assumes," "believes," "estimates," "expects," "will", "intends," "may," "plans," "should" and similar expressions as they relate to the Company or the Offering identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements are set forth in a number of places in this Prospectus, including in "*Risk Factors*," and "*Operating and Financial Review and Prospects*" and wherever this Prospectus include information on the future results, plans and expectations with regard to the Company's business, including its strategic plans and plans on growth and profitability, and the general economic conditions.

These forward-looking statements are based on present plans, estimates, projections and expectations. They are based on certain expectations, which, even though they seem to be reasonable at present, may turn out to be incorrect. Such forward-looking statements are based on assumptions and are subject to various risks and uncertainties. Shareholders should not rely on these forward-looking statements. Numerous factors may cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied in the forward-looking statements.

The absence or the occurrence of these factors may cause the Company's actual results of operation and financial condition to differ significantly from the results stated or described, expressly or implicitly, in the sections containing such forward-looking statements. In light of the risks, uncertainties, assumptions and other factors referred to in this Prospectus, events described in the forward-looking statements may not occur or may fail to materialise. Consequently, there can be no guarantee regarding the accuracy and completeness of any of the forward-looking statements contained in this Prospectus or the actual materialisation of predicted developments.

## FINANCIAL INFORMATION

### Historical Financial Information on the Company

The Company prepares its consolidated financial statements in accordance with the Finnish Accounting Act (31.12.1997/1336, as amended), Finnish Accounting Ordinance (31.12.1997/1337, as amended), and instructions and statements of the Accounting Board operating under the Ministry of Employment and the Economy (the "**Finnish Accounting Standards**", "**FAS**") and half-yearly report has been prepared in accordance with the Finnish Accounting Standards and presented in accordance with section 4.6 of the Rules of First North. The Company's audited consolidated financial statements as at and for the years ended 31 December 2013 and 31 December 2012 as well as unaudited consolidated half-yearly report as at and for the six-month period ended 30 June 2014, including unaudited comparative financial information as at and for the six-month period ended 30 June 2013, have been included into this Prospectus. These audited consolidated financial statements as at and for the years ended 31 December 2013 and 31 December 2012 have been compiled solely for inclusion in this Prospectus using consolidated financial information from the Company's audited statutory financial statements as at and for the years ended 31 December 2013 and 31 December 2012 and the consolidated financial statements compiled for this Prospectus do not include the financial statements for the Group's parent company. The consolidated financial statements include more extensive notes than the statutory financial statements and the presentation of consolidated income statements has been changed for line items "work performed for own purpose and capitalised" and "other operating expenses". The changes do not affect consolidated net sales, operating profit / -loss or balance sheet. The consolidated financial statements included in this Prospectus and the statutory financial statements have been audited by PricewaterhouseCoopers Oy, an auditing firm approved by the Finnish Chambers of Commerce, with Authorised Public Accountant Martin Grandell acting as auditor-in-charge.

The official consolidated financial statements and the official auditor's reports are in Finnish. The consolidated financial statements presented in other languages are unaudited translations of the official consolidated financial statements. Auditor's reports in other languages are translations of the official Finnish language auditor's reports.

### Pro forma financial information

This prospectus includes unaudited pro forma financial information ("**pro forma**", "**pro forma information**") that is

presented to illustrate the financial impact of the capital reorganisation measures taken after 30 June 2014. The pro forma consolidated balance sheet as at 30 June 2014 has been compiled assuming that the capital reorganisation measures taken in July - September 2014 had been completed on 30 June 2014. The capital reorganisation measures do not have impact on the consolidated income statement of the Company.

The unaudited pro forma information is presented for illustrative purposes only. The unaudited pro forma information illustrates what the hypothetical impact would have been if the Capital reorganisation measures had been executed at an earlier point of time, and, therefore, does not present the actual financial position of the Company as of any future date. A description on the risks related to Pro forma financial information is included in section "*Risk factors – Risks relating to the Company – The Company's unaudited pro forma financial information may not accurately reflect the financial position of the Company during future reporting periods*" in this Prospectus.

The pro forma information presented is based on the information derived from the unaudited half-yearly report as at and for the six-month period ended 30 June 2014 that has been included into this Prospectus. The pro forma information is presented in section "*Pro Forma Financial Information*".

### **Certain other information**

The figures presented in this Prospectus, including the financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Unless otherwise indicated in this Prospectus, all references to "EUR" or "euro" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community. All amounts presented in this Prospectus are in euro, unless otherwise indicated.

Unless otherwise indicated in this Prospectus, all references to "USD" or "dollar" are to the currency of the United States.

## **ABBREVIATIONS AND KEY CONCEPTS**

As used throughout this Prospectus, references to:

- "EEA" are to the European Economic Area;
- "EU" are to the European Union;
- "FDA" are to Food and Drug Administration, US Department of Health and Human Services;
- "First North Finland" are to the multilateral trading facility First North Finland operated by the Helsinki Stock Exchange;
- "First North Sweden" are to the multilateral trading facility First North Sweden operated by the Stockholm Stock Exchange;
- "Helsinki Stock Exchange" are to NASDAQ OMX Helsinki Ltd;
- "Stockholm Stock Exchange" are to NASDAQ OMX Stockholm AB;
- "Tekes" are to the Finnish Funding Agency for Innovation; and
- "United States" or "US" are to the United States of America;

For definition or certain technical or medical terms used throughout this Prospectus, see "*Glossary*".

## **GENERAL MARKET, ECONOMY AND INDUSTRY DATA**

This Prospectus contains information about the markets and industries in which Nexstim operates and Nexstim's competitive position therein. Where such information contained in this Prospectus has been derived from third party sources, the name of the source is given therein.

While Company has accurately reproduced such third-party information, Company has not verified the accuracy of such information, market data or other information on which third parties have based their studies. As far as the Company is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Moreover, market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

This prospectus also contains estimates regarding the market position of the Company that cannot be gathered from publications by market research institutions or any other independent sources. In many cases, there is no publicly available information on such data, for example from industry associations, public authorities or other organisations and institutions. Company believes that its internal estimates of market data and information derived therefrom and included

in this prospectus are helpful in order to give investors a better understanding of the industry in which the Company operates as well as its position within this industry. Although Company believes that its internal market estimates are fair, they have not been reviewed or verified by any external experts and Company cannot guarantee that a third-party expert using different methods would obtain or generate the same results.

### **INFORMATION ON THE WEBSITE**

The Finnish-language Prospectus will be published on Company's website at [www.nexstim.com/IPO](http://www.nexstim.com/IPO) on or about 13 October 2014. However, the contents of Company's website or any other information or documents other than this Prospectus on any other website do not form a part of this prospectus and prospective investors should not rely on such information in making their decision to invest in the Offer Shares.

### **AVAILABILITY OF THE PROSPECTUS**

This Prospectus can be accessed as of 13 October 2014:

- on the website of the Company at [www.nexstim.com/IPO](http://www.nexstim.com/IPO);
- the websites of the Joint Arrangers at [www.unitedbankers.fi](http://www.unitedbankers.fi) and at [www.paretosec.com/corp/nexstim](http://www.paretosec.com/corp/nexstim);
- at the Company's head office at Elimäenkatu 9 B, 00510 Helsinki, Finland;
- at the offices of the Joint Arrangers at UB Securities Ltd, Aleksanterinkatu 21 A 3rd floor, 00100 Helsinki, Finland and Pareto Securities AB, Berzelii Park 9, SE103 91 Stockholm, Sweden and Pareto Securities Ltd, Aleksanterinkatu 44 6th floor, 00100 Helsinki, Finland.

In addition, the Finnish-language Prospectus will be available at the Helsinki Stock Exchange located at Fabianinkatu 14, FI-00100 Helsinki, Finland, on or about 13 October 2014.

### **AVAILABILITY OF CERTAIN DOCUMENTS**

Copies of the following documents are available during normal business hours at the Company's head office at Elimäenkatu 9 B, 00510 Helsinki, Finland:

- articles of association of the Company;
- unaudited consolidated half-yearly report as at and for the six-month period ended 30 June 2014;
- audited statutory consolidated financial statements, and auditor's report for the financial year ended 31 December 2013;
- audited statutory consolidated financial statements, and auditor's report for the financial year ended 31 December 2012;
- consolidated financial statements and auditor's report for the financial year ended 31 December 2013 and 31 December 2012 prepared for this Prospectus;
- auditor's report on the unaudited pro forma financial information;
- auditor's report on profit forecast;
- this Prospectus; and
- FIN-FSA's approval of this Prospectus.

## CERTAIN IMPORTANT DATES RELATING TO THE OFFERING

Subscription Period commences	15 October 2014
Subscription Period may be suspended (at the earliest)	22 October 2014
Subscription Period ends (estimated)	24 October 2014
Allocation and the final Subscription Price announced (estimated)	27 October 2014
Due date of payments regarding subscribed Offer Shares in Institutional Offering and Swedish Retail Offering (estimated)	30 October 2014
Offer Shares registered with the Finnish Trade Register (estimated)	5 November 2014
Offer Shares delivered to the book-entry accounts of Finnish Subscribers (estimated)	6 November 2014
Offer Shares delivered to the book-entry accounts of Swedish Subscribers (estimated)	6 November 2014
Trading in Shares commences on First North Finland (estimated)	6 November 2014
Trading in Shares commences on First North Sweden (estimated)	6 November 2014

## INFORMATION ON THE SHARES

Ticker symbol in First North Finland	NXTMH
Ticker symbol in First North Sweden	NXTMS
ISIN code	FI4000102678

## PUBLICATION OF FINANCIAL INFORMATION

The Company prepares and publishes yearly financial statements in accordance with applicable laws and regulations and as required by the Rules of First North. The Company publishes a financial statement release not later than three months from the expiry of the relevant financial year. In addition, the Company publishes a half-yearly report not later than two months from the expiry of the relevant reporting period.

The financial statements release for the financial year ending 31 December 2014 will be published on or about 26 February 2015. According to a preliminary plan, Company's next annual general meeting will be held on 31 March 2015.

## CONTACT DETAILS FOR THE COMPANY, MANAGEMENT, AUDITOR AND ADVISERS

**Company**  
Nexstim Plc  
Elimäenkatu 9 B  
00510 Helsinki, Finland

### **Members of the board of directors of the Company**

Casper Breum  
Kenneth Charhut  
Johan Christenson  
Timothy Irish  
René Kuijten  
Olli Riikkala  
Ekaterina Smirnyagina  
Juha Vapaavuori  
Business address: Elimäenkatu 9 B, 00510 Helsinki, Finland

### **Auditor to the Company**

PricewaterhouseCoopers Oy  
Itämerentori 2  
00180 Helsinki, Finland  
Auditor in charge: Martin Grandell

### **Joint Arrangers**

Pareto Securities Ltd  
Berzelii Park 9, P.O. Box 7415  
103 91 Stockholm, Sweden

UB Securities Ltd  
Aleksanterinkatu 21 A  
00100 Helsinki, Finland

### **Certified Adviser**

UB Capital Ltd  
Aleksanterinkatu 21 A  
00100 Helsinki, Finland

### **Legal advisers to the Company**

*As to Finnish law*

Krogerus Attorneys Ltd  
Unioninkatu 22  
00130 Helsinki, Finland

*As to Swedish law*

Advokatfirman Vinge  
Smålandsgatan 20  
Box 1703  
111 87 Stockholm, Sweden

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth Company's consolidated capitalisation and indebtedness as at 30 June 2014 as compiled from the Company's unaudited half-yearly report for the six month period ending on 30 June 2014 prepared in accordance with FAS (i) on an actual basis and (ii) on a pro forma basis to give effect to the capital reorganisation measures described in section "Pro forma financial information". The pro forma capitalisation and indebtedness describes the material changes in the Company's capitalisation and indebtedness that have occurred after 30 June 2014. In addition the cash in hand and at banks of the Company have decreased after 30 June 2014 and as at 30 September 2014 they were EUR 1,169.4 thousand. Other than as described above, after 30 June 2014, no material changes have occurred in the capitalisation and indebtedness of the Company.

The Company expects to receive funds in aggregate of EUR 18–22 million as net proceeds from the Offering, after deducting costs and expenses to be paid by the Company. Subscriptions made by setting off the capital loan issued in September 2014 have not been deducted from such proceeds (for further information see "Operating and financial results and prospects – Financing and liquidity – Capital loans from shareholders"). The aforementioned estimated net amount has not been included in the table below. See section "Agreements relating to the Offering – Subscription commitments" for information on subscription commitments given by the current shareholders.

The following table should be read in conjunction with sections "Financial information", "Selected financial information", "Operating and financial review and prospects" and "Pro forma financial information" in the Prospectus and the unaudited half-yearly report included in the F-pages to this Prospectus.

<b>Capitalisation</b>	<b>30 June 2014</b>	<b>30 June 2014</b>
<b>EUR in thousands</b>	<b>(unaudited)</b>	<b>Pro forma*</b>
		<b>(unaudited)</b>
<b>Current debt</b>		
Unguaranteed / Unsecured	2,006.2	-
<b>Total</b>	<b>2,006.2</b>	<b>-</b>
<b>Non-current debt</b>		
Unguaranteed / Unsecured	4,333.3	4,680.2
<b>Total</b>	<b>4,333.3</b>	<b>4,680.2</b>
<b>Total debt</b>	<b>6,339.5</b>	<b>4,680.2</b>
<b>Equity attributable to owners of the parent company</b>		
Share capital	31,991.5	80.0
Share Issue	1,812.2	-
Share premium account	63.2	-
Reserve for invested unrestricted equity	0.1	3,009.4
Retained earnings / -loss	-32,817.1	-2,958.3
Profit / -Loss for the period	-5,127.3	-1,131.5
<b>Total</b>	<b>-4,077.3</b>	<b>-1,000.3</b>
<b>Total equity</b>	<b>-4,077.3</b>	<b>-1,000.3</b>
<b>Total equity and debt</b>	<b>2,262.2</b>	<b>3,679.9</b>

\* Derived from the unaudited pro forma balance sheet as at 30 June 2014, which illustrates the effects of the capital reorganisation measures to the Company's financial position.

<b>Net indebtedness</b>	<b>30 June 2014</b>	<b>30 June 2014</b>
<b>MEUR</b>	<b>(unaudited)</b>	<b>Pro forma*</b>
<b>Liquidity (A)</b>		<b>(unaudited)</b>
Cash in hands and at banks	1,522.1	2,939.8
<b>Total</b>	<b>1,522.1</b>	<b>2,939.8</b>
<b>Current debt (B)</b>		
Other current financial debt	2,006.2	-
<b>Total</b>	<b>2,006.2</b>	<b>-</b>
<b>Current net indebtedness (C = B-A)</b>	<b>484.1</b>	<b>-2,939.8</b>
<b>Non-current debt (D)</b>		
Loans from TEKES	2,830.2	2,830.2
Capital loan from TEKES	500.0	500.0
Capital loan from Shareholders*	1,003.1	1,350.0**
<b>Total</b>	<b>4,333.3</b>	<b>4,680.2</b>
<b>Net indebtedness (C+D)</b>	<b>4,817.4</b>	<b>1,740.4</b>

*\*Derived from the unaudited pro forma balance sheet as at 30 June 2014, which illustrates the effects of the capital reorganisation measures to the Company's financial position.*

*\*\*All loan holders of the capital loan have committed to convert the loan into equity in connection with the Offering (see "Agreements relating to the Offering - Subscription Commitments").*

Additional information on liabilities outside the balance sheet have been presented in the section "*Operating and financial review and prospects – Other liabilities*" in this Prospectus.

## REASONS FOR THE OFFERING AND USE OF PROCEEDS

Nexstim's shareholders and board of directors believe that it is now an appropriate time to broaden the shareholder base and to apply for the listing of the Company's Shares on First North Finland and First North Sweden. The Offering is expected to support the growth and operational strategy of the Company.

Nexstim also expects that the FN Listing of the Shares will increase the public profile of the Company and its business, and provide Nexstim with improved access to capital markets and a diversified base of new Nordic and international shareholders. The Company believes that these factors will further enhance its position in the Finnish and Swedish market and provide the appropriate platform for its future development and access to capital for its NBT System's commercialisation phase if the FDA clearance for marketing the device for stroke therapy is obtained.

The Company expects that the total proceeds of the Offering are at maximum EUR 25 million based on the maximum number of Offer Shares (2,873,563 Shares) and the low point of the Indicative Price Range (EUR 8.70). The Company expects to receive net proceeds from the issuance of the Offer Shares of approximately EUR 18–22 million, after deducting estimated offering expenses payable by the Company of approximately EUR 2–3 million, in the aggregate. Subscriptions made by setting off the capital loan issued in September 2014 have not been deducted from such proceeds. If the Additional Share Allotment is exercised in full, Nexstim will receive additional net proceeds of approximately EUR 3.5 million, after deducting estimated offering costs and expenses. Subscriptions made by setting off the capital loan issued in September 2014 have not been deducted from such proceeds (for further information see "*Operating and financial results and prospects – Financing and liquidity – Capital loans from shareholders*"). If the Additional Share Allotment is exercised in full, Nexstim will receive additional net proceeds of approximately EUR 3.5 million, after deducting estimated offering costs and expenses

Nexstim expects to use the net proceeds from the sale of the Offer Shares in the Offering to fund the Company's next development stage through to the end of the Phase III multi-centre trial and FDA clearance for marketing the NBT System for stroke therapy, expected to take place in the end of 2016.

In particular, Nexstim intends to use the proceeds of the Offering to:

- finance the ongoing Phase III two year multi-centre trial of the use of the Company's NBT System in stroke therapy; currently conducted at 12 prominent rehabilitation sites in the US;
- pursue regulatory clearances, including but not limited to the FDA De Novo 510(k) clearance for marketing the NBT System for stroke therapy;
- execute pre-commercial activities for the NBT System for post-acute stroke therapy and business development for the NBS System for diagnostics;
- explore other potential research indications for example pain and tinnitus; and
- general corporate purposes.



## TERMS AND CONDITIONS OF THE OFFERING

### Authorisations for the Offering

On 29 September 2014, the shareholders of the Company authorised by way of unanimous shareholders' decision the board of directors of the Company to resolve on issuing up to 10,000,000 new or treasury shares ("**Shares**") in the Company. Under the unanimous decision by the shareholders, the board of directors is authorised to resolve on all the terms on which Shares are issued. The authorisation covers the issuance of both new Shares and existing own Shares held by the Company, and allows the board of directors to resolve on issuing Shares in a targeted issue. The authorisation is in force until 30 June 2015, unless cancelled before that date by the general meeting of the Company.

On 9 October 2014, the board of directors of the Company resolved on issuing the Offer Shares by adopting the terms set out below.

### General terms of the Offering

#### *Offer Shares*

The Company offers up to 2,873,563 new Shares in the Company ("**Offer Shares**") for subscription ("**Offering**"). The Offering consists of:

- e) An institutional offering ("**Institutional Offering**"), in which Offer Shares are offered to investors in both Finland and in Sweden as well as internationally provided fulfilment of local law requirements.
- f) A retail offering in Finland ("**Finnish Retail Offering**"), in which Offer Shares are offered to the public in Finland.
- g) A retail offering in Sweden ("**Swedish Retail Offering**"), in which Offer Shares are offered to the public in Sweden.

#### *Number of Offer Shares and Additional Share Allotment*

The number of Offer Shares to be issued in the Offering will be determined on the basis of a book-building process in the Institutional Offering, as well as the subscriptions received in the Finnish Retail Offering and the Swedish Retail Offering.

Assuming that 2,873,563 Offer Shares are issued in the Offering, the Offer Shares will upon consummation of the Offering constitute approximately 37.83% of the outstanding Shares in the Company.

If the Offering is oversubscribed, the board of directors of the Company may increase the number of Offer Shares by an additional share allotment of up to 431,034 additional new Shares in the Company ("**Additional Share Allotment**"). Assuming that the Additional Share Allotment is exercised in full, in aggregate up to 3,304,597 Offer Shares may be issued in the Offering and in such case the Offer Shares will upon consummation of the Offering constitute approximately 41.17% of the outstanding Shares in the Company.

#### *Pricing and book-building*

The Company has, together with the Joint Arrangers, set an indicative price range of EUR 8.70 to EUR 9.80 per Offer Share ("**Indicative Price Range**"). To achieve a market-based pricing of the Shares offered for sale, institutional investors will be afforded the opportunity to participate in a form of book-building process by submitting an application to subscribe. The book-building process will take place during the Subscription Period (as defined below). The final subscription price per Offer Share ("**Offer Price**") will be determined on the basis of the book-building process for institutions and the subscriptions placed in the Finnish Retail Offering and the Swedish Retail Offering, and may be set within or below the Indicative Price Range. However, the Offer Price may not exceed EUR 9.80.

The Indicative Price Range may be amended during the Subscription Period. Any amendment to the Indicative Price Range will be announced by the Company by way of a company release.

The Company expects to announce the final Offer Price by way of a company release, on or about 27 October 2014.

#### *Payment of the Offer Shares*

The subscriptions shall be paid in cash as further described in "*Terms specific to the Institutional Offering*", "*Terms specific to the Finnish Retail Offering*", and "*Terms specific to the Swedish Retail Offering*" to bank accounts designated by the Joint Arrangers in immediately available funds.

Investors who hold a capital loan from the Company may, however, pay their subscriptions by setting off the subscription price receivable against the principal amount of the capital loan. The capital loan lenders who are current shareholders of

the Company have undertaken to subscribe in the Offering at the Offer Price for such number of Offer Shares that allows for the entire capital loan principal to be used towards the payment of such Offer Shares. Such undertakings cover capital loans with an aggregate principal amount of EUR 1,350 thousand.

The subscription price for the Offer Shares will be recorded in the reserve for invested unrestricted equity (in Swedish: *fonden för inbetalt fritt eget kapital*). Accordingly, the share capital of the Company will not be increased in connection to the Offering.

Offer Shares delivered through Euroclear Finland to investors in the Institutional Offering and the Finnish Retail Offering will be payable in euro.

Offer Shares in the Swedish Retail Offering will be payable in Swedish krona. Offer Shares delivered through Euroclear Sweden to investors in the Institutional Offering will be payable in Swedish krona or euro at the request of the investor.

The Swedish krona denomination of the final Offer Price will be determined through through the EURSEK forward rate for an amount corresponding to the aggregate allocated euro amount of Shares payable in Swedish krona. The Swedish krona denomination of the final Offer Price will be announced by the Company by way of a company release together with the publication of the outcome of the Offering.

### ***Subscription period***

The subscription period (the "**Subscription Period**") for the Offer Shares will commence on 15 October 2014 at 09:30 Finnish time (08:30 Swedish time), and is expected to end on 24 October 2014 at 16:30 Finnish time (15:30 Swedish time).

The Company may, at its sole discretion, end, shorten, or extend the Subscription Period. Changes to the Subscription Period may be made one or several times, provided, however, that the Subscription Period can end at earliest on 22 October 2014 at 16:30 Finnish time (15:30 Swedish time) and it will not be extended beyond 31 October 2014 at 16:30 Finnish time (15:30 Swedish time). Any changes to the Subscription Period will be announced by way of a company release. The Subscription Period may not be changed or ended by the Company between 9:30 and 16:30 Finnish time (between 08:30 and 15:30 Swedish time), or changed after the ending of the Subscription Period.

In the event the Subscription Period is changed, the allocation date, the payment due dates and the dates of delivery of Offer Shares will be changed accordingly, but the date of the listing and commencement of trading on First North Finland and Firth North Sweden may not necessarily be changed.

### ***Allocation of the Offer Shares***

The Company will, in its sole discretion, resolve on the allocation of the Offer Shares between the Institutional Offering, the Finnish Retail Offering and the Swedish Retail Offering, as well as between investors within the Institutional Offering, Finnish Retail Offering and Swedish Retail Offering. If the Offering is oversubscribed, investors may be allocated fewer Offer Shares than subscribed for, or no Offer Shares at all.

If the Offering is fully subscribed or oversubscribed, for subscriptions placed in the Finnish Retail Offering and the Swedish Retail Offering comprising up to an aggregate of 20% of the Offer Shares to be issued, the Company will allocate in aggregate at least 50% of the subscriptions so placed to investors in the Finnish Retail Offering and the Swedish Retail Offering. In case of oversubscription, the Company will use its best efforts to fulfil the subscriptions placed by investors in the Finnish Retail Offering and the Swedish Retail Offering up to allocations of 1,000 Offer Shares.

### ***Publication of the outcome of the Offering***

Provided that no changes are made to the Subscription Period, the Company will announce the outcome of the Offering on or about 27 October 2014 by way of a company release.

### ***Deviation from the pre-emptive right of the shareholders***

The Offering is a targeted share issue, i.e., Offer Shares will be offered in deviation of the pre-emptive subscription right of the existing shareholders of the Company. The grounds for deviating from the pre-emptive subscription right are the funding of the Company's business and the broadening of the Company's shareholder base necessary for a planned listing of the Shares in the Company on the First North Finland and First North Sweden. On these grounds, the Company's board of directors considers that in accordance with the Finnish Companies Act, Chapter 9, Section 4(1), weighty financial reasons exist for deviating from the pre-emptive subscription right of the shareholders.

### ***Registration and delivery of the Offer Shares***

The Company will apply for the registration of the Offer Shares with the Trade Register as soon as practicably possible after the allocation of the Offer Shares. Provided that no changes are made to the Subscription Period, the Company

expects the issued Offer Shares to be registered with the Trade Register on or about 5 November 2014. The Offer Shares will be issued and registered in the book-entry system of Euroclear Finland as soon as possible after having been registered with the Trade Register.

As soon as possible after registration with Euroclear Finland, the Offer Shares will be delivered to investors through the book-entry systems of Euroclear Finland and Euroclear Sweden. Provided that no changes are made to the Subscription Period, the Company expects the delivery of the Offer Shares to the investors to take place on or about 6 November 2014.

### ***Listing***

The Company intends to make an application to the Helsinki Stock Exchange to be processed at the Helsinki Stock Exchange and the Stockholm Stock Exchange to list:

- a) on First North Finland (i) the Offer Shares issued and allotted in the Finnish Retail Offering, (ii) the Offer Shares issued and allotted in the Institutional Offering and delivered through Euroclear Finland, and (iii) all other Shares of the Company that are not applied for listing on First North Sweden; and
- b) on First North Sweden (i) the Offer Shares issued and allotted for in the Swedish Retail Offering and (ii) the Offer Shares issued and allotted in the Institutional Offering and delivered through Euroclear Sweden.

The trading symbol on First North Finland is expected to be NXTMH, and on First North Sweden, NXTMS. The Company expects trading to commence on First North Finland and First North Sweden on or about 6 November 2014. The Company will apply for the primary listing to be on First North Finland and for the secondary listing to be on First North Sweden.

### ***Shareholder rights***

The Offer Shares will confer all shareholder rights from their registration with the Trade Register and delivery to the investors. Each Share in the Company confers one vote at the Company's general meetings. All the Shares in the Company confer equal rights to distributions.

### ***Supplements to the Prospectus and cancellation of subscriptions***

Subscriptions placed in the Finnish Retail Offering and the Swedish Retail Offering are binding and irrevocable, and may only be cancelled where the Finnish Securities Market Act provides for a cancellation right.

In accordance with the Finnish Securities Market Act, the Company will be obliged to issue a supplement to the Prospectus in case a mistake or inaccuracy in the Prospectus is discovered, or a significant new factor arises, prior to the end of the Subscription Period, if such mistake, inaccuracy or new factor may bear material significance to the investors. Such supplement will be published in the same manner as the Prospectus.

Investors who have subscribed for Offer Shares before the publication of a supplement to the Prospectus may choose to cancel their subscriptions. The cancellation right must be exercised within a cancellation period which may not be shorter than two Finnish banking days from the publication of the supplement to the Prospectus. An investor's cancellation of a subscription will be deemed to be made in respect of all the subscriptions of that investor. A precondition for the right to cancel is that the mistake, omission or material new information arose or was noted before the delivery of the Offer Shares. Cancellations must be filed with the office with which the subscription was placed. However, subscriptions placed on the website of UB Securities cannot be cancelled on the website but should be cancelled by contacting UB Securities at [dealing@unitedbankers.fi](mailto:dealing@unitedbankers.fi) or telephone +358 (0)9 253 80220. Information on the right to withdraw shall be issued in the supplement to the Prospectus.

Where an investor has cancelled its subscription, any subscription price already paid by that investor will be returned to the bank account of the investor given by the investor in connection with the subscription. The funds will be repaid within three local banking days of the cancellation of the subscription. No interest will be paid on the amounts returned. The Company will announce cancellation instructions by way of a company release, in connection with publishing the supplement to the Prospectus.

### ***Company's right to withdraw the Offering***

The Company may, at its sole discretion (and for any reason), withdraw the Offering. If the Offering is withdrawn, any subscriptions given by investors will be automatically cancelled. In such case, the subscription price paid by investors will be returned to the bank accounts of the investors given by the investors in connection with the subscriptions. The funds will be repaid within three local banking days of the Offering being withdrawn. A withdrawal of the Offering will be announced by the Company by way of a company release.

The Company intends to apply for the listing of the Offer Shares as set out in "*Offer terms – General terms – Listing*". If the Company's application to list the issued Offer Shares is not approved in respect of either First North Finland or First North Sweden, the Company will withdraw the Offering.

The Company may not withdraw the Offering after the board of directors of the Company has resolved on the allocation of the Offer Shares.

### ***Conditional Offering***

The Offering is conditional upon the subscriptions placed in the Offering (including the subscriptions payable by way of setting off capital loans described in "*Payment of the Offer Shares*" above) covering in aggregate an amount of at least EUR 15,000,000. If the aggregate amount of such subscriptions is less than EUR 15,000,000, the Offering shall lapse.

### **Terms specific to the Institutional Offering**

#### ***Persons entitled to subscribe in the Institutional Offering***

In the Institutional Offering, Offer Shares are offered to investors in both Finland and in Sweden as well as internationally provided fulfilment of local law requirements.

The Company may, at its sole discretion, decline an investor's subscription in the Institutional Offering for instance if it reasonably believes that it would be required to implement any other measures than the publication of the Prospectus to be allowed to issue Offer Shares to that investor.

#### ***Minimum subscription***

The minimum subscription per investor in the Institutional Offering is 12,000 Offer Shares.

Investors in the Institutional Offering may place several subscriptions at different prices per Offer Share during the book-building period.

Investors wishing to subscribe for a smaller number of Offer Shares shall subscribe to Offer Shares in the Finnish Retail Offering or the Swedish Retail Offering, as the case may be.

#### ***Subscription instructions***

Subscriptions for Offer Shares in the Institutional Offering must be made during the Subscription Period by advising one of the Joint Arrangers of the number of Offer Shares that the subscriber wishes to subscribe for and the price that such subscriber is offering to pay for the Offer Shares.

The investors in the Institutional Offering will not be treated differently based on which Joint Arranger the investor chooses to place the subscription with. However, the Company may, in its sole discretion, resolve on the allocation of the Offer Shares.

Any orally placed subscription in the Institutional Offering will be binding upon the subscriber and subject to the same terms and conditions as a written subscription. The Joint Arrangers may, at any time and in their sole discretion, require the subscriber to confirm any orally placed subscription in writing.

Investors in the Institutional Offering may withdraw or amend their subscriptions at any time until the end of the Subscription Period. After the end of the Subscription Period, all subscriptions that have not been withdrawn are irrevocable and binding upon the investor. The Company may change or end the Subscription Period as described above in the section "*Offer terms – General terms – Subscription period*". If the Company changes the Subscription Period, the subscriptions become binding when the changed Subscription Period ends. If the Company ends the Subscription Period, the subscriptions become binding at 16:30 on the day when the Company has resolved on ending the Subscription Period. If the Company ends the Subscription Period after 16:30, the subscriptions placed and not cancelled prior to such time will become binding.

#### ***Allocation of the Offer Shares***

The Company will, in its sole discretion, resolve on the allocation of Offer Shares between investors in the Institutional Offering.

Institutional investors are expected to receive information regarding allotment on or about 27 October 2014, whereupon notices of allotment are dispatched in accordance with prevailing market practice.

#### ***Payment***

Provided that no changes are made to the Subscription Period, the subscription price for the Offer Shares shall be paid no later than 30 October 2014 in accordance with instructions set out in the notice of allotment sent to the investor.

Should payment not be made when due, the Company may in its sole discretion decline the subscription and re-allot the Offer Shares.

Where the Company has not declined a defaulted investor's subscription, the Joint Arrangers may, in their sole discretion,

pay the subscription price for the Offer Shares on behalf of the investor. In such case, the investor remains liable to pay the original subscription price to the Joint Arrangers for the Offer Shares allocated to the investor, together with any interest, costs, charges and expenses accrued, and the Joint Arrangers may enforce payment of any such amount outstanding. Default interest calculated in accordance with the Finnish Interest Act (633/1982, as amended), Section 4, will accrue from the due date on an unpaid subscription price. The Joint Arrangers may, at any time, sell any Offer Shares paid for by the Joint Arrangers on behalf of the investor. Upon such sale, the Joint Arrangers will set off any sale proceeds against the amounts owed by the investor. Where the sale proceeds exceed the amounts owed, the Joint Arrangers will be entitled to keep the excess. Where the sales proceeds fall short of the amounts owed, the investor will remain liable to pay the Joint Arrangers the outstanding amount.

### ***Delivery of the Offer Shares***

Investors in the Institutional Offering may elect for the Offer Shares to be delivered through the book-entry system of Euroclear Finland or through the book-entry system Euroclear Sweden. Investors may also elect for a part of their Offer Shares to be delivered through the book-entry system of Euroclear Finland and a part through the book-entry system of Euroclear Sweden.

However, due to restrictions placed by Finnish law on the nominee registration of shares by Finnish investors, the Offer Shares issued and allotted in the Institutional Offering by investors incorporated in Finland or with Finnish citizenship will always be delivered through Euroclear Finland.

### **Terms specific to the Finnish Retail Offering**

#### ***Persons entitled to subscribe in the Finnish Retail Offering***

In the Finnish Retail Offering, Offer Shares are offered to the public in Finland. To be authorised to subscribe for Offer Shares in the Finnish Retail Offering, the investor shall, in case it is a natural person, be resident in Finland, and in case it is a legal entity, be incorporated under Finnish law and have its corporate seat in Finland.

The Joint Arrangers may require the investors to evidence or confirm their right to participate in the Finnish Retail Offering.

#### ***Minimum and maximum subscription***

The minimum subscription per investor in the Finnish Retail Offering is 70 Offer Shares. The maximum subscription per investor in the Finnish Retail Offering is 11,999 Offer Shares. Investors wishing to subscribe for a larger number of Offer Shares shall do so in the Institutional Offering.

#### ***Subscription instructions***

Subscriptions in the Finnish Retail Offering must be made during the Subscription Period on the website of UB Securities at [www.unitedbankers.fi](http://www.unitedbankers.fi) or at the offices of UB Securities Ltd at Aleksanterinkatu 21 A 3rd floor, 00100 Helsinki, Finland.

Investors in the Finnish Retail Offering must comply with the practical instructions given by the Joint Arrangers from time to time. Practical instructions to investors are contained in the Prospectus under "*Instructions to investors*".

#### ***Payment of the subscription price***

Investors in the Finnish Retail Offering shall pay the subscription price when placing the subscription on UB Securities' website.

The investors subscribing for Offer Shares in the Finnish Retail Offering must pay, when placing the subscription, an initial subscription price per Offer Share of EUR 9.80, i.e., the high point of the Indicative Price Range. If the final Offer Price is lower than the price paid by the investor at the time of placing the subscription, the excess amount paid by the investor will be repaid to the investor within seven Finnish banking days of the date when the board of directors resolved on the allocation of the Offer Shares. No interest will be paid on the amounts returned. If an investor is allocated fewer Offer Shares than subscribed for by the investor, the excess subscription price paid by the investor will be repaid to the investor within seven Finnish banking days of the date when the board of directors resolved on the allocation of the Offer Shares.

#### ***Allocation of the Offer Shares***

The Company will, in its sole discretion, resolve on the allocation of Offer Shares between investors in the Finnish Retail Offering. Information on the allocation is not separately announced to the investors, but the investors receive the information in connection with confirmation of the transaction and the possible repayment of the subscription price.

### ***Delivery of the Offer Shares***

Offer Shares will be delivered to investors in the Finnish Retail Offering through the book-entry system of Euroclear Finland.

### **Terms specific to the Swedish Retail Offering**

#### ***Persons entitled to subscribe in the Swedish Retail Offering***

In the Swedish Retail Offering, Offer Shares are offered to the public in Sweden. To be authorised to subscribe for Offer Shares in the Swedish Retail Offering, the investor shall, in case it is a natural person, be resident in Sweden, and in case it is a legal entity, be incorporated under Swedish law and have its corporate seat in Sweden.

The Joint Arrangers may require the investors to evidence or confirm their right to participate in the Swedish Retail Offering.

#### ***Minimum and maximum subscription***

The minimum subscription per investor in the Swedish Retail Offering is 70 Offer Shares. The maximum subscription per investor in the Swedish Retail Offering is 11,999 Offer Shares. Investors wishing to subscribe for a larger number of Offer Shares shall do so in the Institutional Offering.

#### ***Subscription instructions***

Subscriptions in the Swedish Retail Offering must be made during the Subscription Period by submitting a completed subscription form to:

Pareto Securities AB (Sweden)  
Issuer Service/Nexstim  
Box 7415, Berzelii Park 9  
SE-103 91 Stockholm  
Tel: +46 8 402 51 32  
Fax: +46 8 402 50 30  
Email: [issueservice.se@paretosec.com](mailto:issueservice.se@paretosec.com)

Subscriptions should be made using a special subscription form which can be obtained from Pareto Securities AB or from the Company. Subscription forms are also available on the Company's website ([www.nexstim.com/IPO](http://www.nexstim.com/IPO)) or on Pareto Securities AB's website ([www.paretosec.com/corp/nexstim](http://www.paretosec.com/corp/nexstim)).

The subscription form must be received by Pareto Securities AB prior to the end of the Subscription Period. Subscription forms received late, as well as incompletely or incorrectly completed subscription forms, may be disregarded. No additions or amendments may be made to the pre-printed text on the subscription forms. Only one subscription per investor may be made. If multiple subscriptions from the same investor are submitted, the Joint Arrangers will consider only the subscription form filed first. All the subscriptions will be considered to have been made at the price determined in the book-building. Subscriptions placed in the Swedish Retail Offering are binding and irrevocable, and may only be cancelled where the Finnish Securities Market Act provides for a cancellation right.

#### ***Allocation of the Offer Shares***

The Company will, in its sole discretion, resolve on the allocation of Offer Shares between investors in the Swedish Retail Offering. Contract notes are expected to be sent out by ordinary mail on or about 27 October 2014. Those who have not been allotted Offer Shares will not be notified.

#### ***Payment of the subscription price***

Provided that no changes are made to the Subscription Period, the subscription price shall be paid no later than on 30 October 2014, provided that the subscription period remains unchanged, in accordance with instructions set out in the contract notes sent to the investor.

The Offer Price (including the price payable in Swedish krona) will be announced by way of a company release on or about 27 October 2014 together with the outcome of the Offering.

Should payment not be made when due, the Company may in its sole discretion decline the subscription and re-allot the Offer Shares.

Where the Company has not declined a defaulted investor's subscription, the Joint Arrangers may, in their sole discretion, pay the subscription price for the Offer Shares on behalf of the investor. In such case, the investor remains liable to pay the original subscription price to the Joint Arrangers for the Offer Shares allocated to the investor, together with any interest, costs, charges and expenses accrued, and the Joint Arrangers may enforce payment of any such amount

outstanding. Default interest calculated in accordance with the Finnish Interest Act (633/1982, as amended), Section 4, will accrue from the due date on an unpaid subscription price. The Joint Arrangers may, at any time, sell any Offer Shares paid for by the Joint Arrangers on behalf of the investor. Upon such sale, the Joint Arrangers will set off any sale proceeds against the amounts owed by the investor. Where the sale proceeds exceed the amounts owed, the Joint Arrangers will be entitled to keep the excess. Where the sales proceeds fall short of the amounts owed, the investor will remain liable to pay the Joint Arrangers the outstanding amount.

#### ***Delivery of the Offer Shares***

Offer Shares will be delivered to investors in the Swedish Retail Offering through the book-entry system of Euroclear Sweden.

#### **Governing law**

The terms and conditions of the Offering shall be governed by, and construed in accordance with, Finnish law. The courts of Finland have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offering.

#### **Other matters**

The board of directors of the Company may resolve on other matters relating to the Offering.

## INSTRUCTIONS TO INVESTORS

### **Entry of the shares in the book-entry system**

The Offer Shares will be registered and issued in the book-entry system of Euroclear Finland, and delivered to the investors through the book-entry systems of Euroclear Finland and Euroclear Sweden.

Investors in the Finnish Retail Offering, and investors in the Institutional Offering to the extent the investor has elected delivery through Euroclear Finland, will be delivered shares through Euroclear Finland. Such investors should have a book-entry account with an account operator in the book-entry system of Euroclear Finland. The number of the book-entry account should be given to the subscription office when placing the subscription. The account must be in the name of the investor.

Investors in the Swedish Retail Offering, and investors in the Institutional Offering to the extent the investor has elected delivery through Euroclear Sweden, will be delivered shares through Euroclear Sweden. Such investors should have a book-entry account with an account operator in the book-entry system of Euroclear Sweden. The number of the book-entry account should be given to the subscription office when placing the subscription. The account must be in the name of the investor.

### **Subscriptions by legal entities**

A legal entity subscribing for Offer Shares may be requested by the Company or the Joint Arrangers, in their sole discretion, to provide evidence on the entity's authorisation to subscribe for Offer Shares and on the authorisation of the representative of the entity to represent the entity.

### **Subscription through an agent**

Investors subscribing for shares in the Offering may do so through an agent. In such case, the agent shall provide evidence of its authorisation to represent the investor by producing a power of attorney in form and substance satisfactory to the Company and the Joint Arrangers.

### **No fees are charged to investors**

No fees are charged by the Company or the Joint Arrangers to the investors subscribing for Offer Shares in the Offering. However, the Joint Arrangers may charge the interest, costs, charges and expenses accrued from investors who have not paid the subscribed Offer Shares by the due date.

However, brokers and other service providers engaged by an investor may charge the investor as agreed between the investor and that service provider.

### **Taxation**

For an explanation of certain matters relating to the taxation of investments in Offer Shares, see "*Taxation*".



## AGREEMENTS RELATING TO THE OFFERING

### Agreement with the Joint Arrangers

UB Securities Ltd and Pareto Securities Ltd act as the Joint Arrangers of the Offering. The Company concluded an arranger agreement with the Joint Arrangers (the "**Arranger Agreement**"). The Agreement defines the services provided by the Joint Arrangers in connection with the Offering and addresses the rights and obligations of the parties.

The Arranger Agreement includes terms and conditions on, among other things, the rights of the parties to give notice to terminate the Arranger Agreement before the implementation of the FN Listing. In addition, the Company has given the usual representations and warranties to the Joint Arrangers related to, among other things, the Company's business operations and compliance with the law. In the Arranger Agreement, the Company has undertaken to release the Joint Arrangers from certain liabilities and undertaken to be responsible for the costs incurred from the implementation of the Offering and sales.

According to the Arranger Agreement, the Company shall pay the Joint Arrangers a fee, which is linked to the amount of subscription payments received by the Company. The amount of the fee may be at most EUR 2.0 million, assuming that the proceeds from the Offering are in total EUR 28.75 million (including full exercise of the Additional Share Allotment).

### Agreement with the Certified Adviser

On 10 October 2014, the Company concluded an agreement with UB Capital Ltd on acting as a Certified Adviser according to the Rules of First North in connection with the listing of the Company on First North and for 12 months after the Company's listing. The agreement defines the services of the Certified Advisor related to the listing and the Offering, as well as the parties' rights, obligations and distribution of liabilities. The Company has undertaken to pay the Certified Adviser a fixed monthly fee for 12 months.

### Subscription commitments

The current shareholders have on 24 September 2014 given the Company binding commitments to subscribe for Offer Shares in the Offering as set out below:

<b>Shareholder subscribing to Offer Shares</b>	<b>Subscription commitment (euro)</b>	<b>Means of payment</b>
HealthCap V, L.P.*	800,000	Cash
	700,000	Set-off of capital loan
The Finnish Innovation Fund Sitra	600,000	Cash
	400,000	Set-off of capital loan
Capricorn Health-Tech Fund NV	250,000	Cash
	250,000	Set-off of capital loan
Lundbeckfond Ventures	300,000	Cash
LSP III Omni Investment Coöperatief U.A.	100,000	Cash
<b>Total (cash)</b>	<b>2,050,000</b>	
<b>Total (set-off of capital loan)</b>	<b>1,350,000</b>	

\* Directly and indirectly through its controlled entity OFP V Advisor AB

To the knowledge of the Company, none of the CEO, the members of the board of directors or other members of the management team of the Company have committed to subscribe for Offer Shares in the Offering.

### Liquidity Providing Services

On the date of this Prospectus, the Company has not concluded an agreement on the provision of a liquidity provider service for the Company. As necessary, the Company will attempt to organise a liquidity provider service and conclude an agreement with a liquidity provider in order to secure sufficient demand and supply for the Share according to the Rules of First North when the FN Listing is implemented.

## LOCK-UP ARRANGEMENTS

The Joint Arrangers have entered into lock-up agreements with all shareholders who as at the date of the Prospectus hold more than 1 % of Shares issued and outstanding as well as with shareholders belonging to the board of directors and management team of the Company. The lock-up agreement has been executed by the following shareholders:

Shareholder	Shareholding as at the date of this Prospectus
HealthCap V, L.P.*	35.43 %
The Finnish Innovation Fund Sitra	27.13 %
Capricorn Health-Tech Fund NV	10.77 %
OFP V Advisor ABLSP III Omni Investment Coöperatief U.A.	8.78 %
Lundbeckfond Ventures	5.42 %
Ilmarinen Mutual Pension Insurance Company	4.51 %
Finnish Industry Investment Ltd	3.46 %
Risto Ilmoniemi	1.59 %
Interdomer Oy	1.08 %
Olli Riikkala	0.46 %
Petriina Puolakka	0.09 %
Henri Hannula	0.09 %
<b>In total</b>	<b>98.81%</b>

\* Directly and indirectly through its controlled entity OFP V Advisor AB

The shareholders who have entered into the lock-up agreement have, for a 12 month period commencing on the first day of trading of the shares in the Company on First North Finland or First North Sweden (whichever occurs first) (see the section "*Terms and conditions of the offering - General terms of the Offering - Listing of the Offer Shares*"), irrevocably undertaken not to, directly or indirectly, without the prior written consent of the Joint Arrangers: (i) offer, allot, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any of the Shares it held as at the date of this Prospectus or any securities convertible into or exercisable or exchangeable for or convertible into Shares it held as at the date of this Prospectus; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares it held as at the date of this Prospectus, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares it held as at the date of this Prospectus or other securities or in cash or otherwise.

The lock-up agreement is subject to the following carve-outs: (i) the lock-up agreement does not apply to any shares in the Company subscribed to by the shareholder in the Offering or which the shareholder acquires after the FN-Listing; (ii) the shareholder may transfer the Shares it held as at the date of this Prospectus pursuant to a bona fide third-party tender offer, merger, consolidation or other transaction with similar effect, the terms of which are extended to all holders of the Company's shares and other equity securities and which involves a change of control in the Company; and (iii) shareholder may transfer the Shares it held as at the date of this Prospectus to companies within its group (including, for the avoidance of doubt where the shareholder is an investment fund, to its general partner or a fund managed by the same manager or the general partner of such fund), provided that any such transferee is notified to the Joint Arrangers in advance and such transferee provides the Joint Arrangers with a lock-up agreement on similar terms.

Furthermore, the Company has undertaken, for a period of 12 months following the first day of trading of the Shares on First North Finland or First North Sweden (whichever occurs first) (see the section "*Terms and conditions of the Offering - General terms of the Offering - Listing of the Offer Shares*"), with certain exceptions, not to, without the prior written consent of the Joint Arrangers: (i) issue, offer, pledge, sell or contract to issue or sell any securities convertible into or exercisable or exchangeable for shares in the Company; or (ii) enter into any swap or any other agreement or any transaction that has an equivalent effect to those referred to in item (i) above, whether any such swap or transaction described in items (i) or (ii) above is to be settled by delivery of such securities, in cash or otherwise.

## SELECTED FINANCIAL INFORMATION

The following tables present selected consolidated financial statement information of the Company for the financial years ended on 31 December 2013 and 2012 and selected consolidated financial information for the six-month periods ended on 30 June 2014 and 30 June 2013. The following tables should be read in conjunction with "Operating and Financial Review and Prospects" and the audited consolidated financial statements and unaudited half-yearly report included in the F-pages to this Prospectus. The Company's audited consolidated financial statements as at and for the years ended 31 December 2013 and 31 December 2012 has been prepared in accordance with the Finnish Accounting Standards and unaudited half-yearly reports as at and for the six-month period ended 30 June 2014, including unaudited comparative financial information as at and for the six-month period ended 30 June 2013 have been prepared in accordance with the Finnish Accounting Standards and presented in accordance with section 4.6 e of the Rules of First North.

The selected financial information below does not contain all the information included in the Company's consolidated financial statements and half-yearly report.

### Consolidated income statement

EUR in thousands	1 January – 30 June		1 January – 31 December	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
<b>NET SALES</b>	413.9	499.3	1,871.0	3,190.4
Work performed for own purpose and capitalised	17.5	16.7	33.2	48.5
Other operating income	28.7	12.5	75.1	472.7
<b>Materials and services</b>				
<b>Materials</b>				
Purchases during the financial year	34.0	-165.9	-575.7	-827.3
Variation in inventories additions (+) or disposal (-)	-158.9	-145.6	-85.2	28.0
Services	-	-	-0.1	-1.1
<b>Total</b>	<b>-125.0</b>	<b>-311.5</b>	<b>-661.0</b>	<b>-800.4</b>
<b>Personnel expenses</b>				
Wages and salaries	-1,307.7	-1,293.9	-2,558.9	-2,589.8
<b>Social security expenses</b>				
Pension expenses	-157.4	-166.9	-309.2	-358.6
Other social security expenses	-176.8	-90.1	-175.2	-134.3
<b>Total</b>	<b>-1,641.9</b>	<b>-1,550.9</b>	<b>-3,043.4</b>	<b>-3,082.6</b>
<b>Depreciation and amortisation</b>				
Depreciation, amortisation and impairments	-125.3	-141.7	-237.7	-305.9
<b>Total</b>	<b>-125.3</b>	<b>-141.7</b>	<b>-237.7</b>	<b>-305.9</b>
Other operating expenses	-1,672.3	-1,068.3	-2,472.0	-2,140.3
<b>OPERATING PROFIT / -LOSS</b>	<b>-3,104.3</b>	<b>-2,543.9</b>	<b>-4,434.7</b>	<b>-2,617.7</b>
Financial income and expenses				
Other interest and financial income	0.0	0.4	0.4	2.5
Interest and other financial expenses	-2,023.0	-4.7	-80.6	-83.7
<b>Total</b>	<b>-2,023.0</b>	<b>-4.4</b>	<b>-80.2</b>	<b>-81.3</b>
<b>PROFIT / - LOSS FOR THE FINANCIAL YEAR</b>	<b>-5,127.3</b>	<b>-2,548.2</b>	<b>-4,514.9</b>	<b>-2,699.0</b>

**Consolidated balance sheet**

EUR in thousands	30 June		31 December	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>				
Development expenditure	98.9	94.6	107.7	154.5
Intangible rights	366.1	274.6	323.6	258.5
<b>Total</b>	<b>465.0</b>	<b>369.2</b>	<b>431.4</b>	<b>413.0</b>
<b>Tangible assets</b>				
Machinery and equipment	560.1	65.9	55.6	72.8
<b>Total</b>	<b>560.1</b>	<b>65.9</b>	<b>55.6</b>	<b>72.8</b>
<b>Investments</b>				
Other shares and similar rights of ownership	10.0	10.0	10.0	10.0
<b>Total</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>NON-CURRENT ASSETS TOTAL</b>	<b>1,035.0</b>	<b>445.1</b>	<b>497.0</b>	<b>495.8</b>
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
Raw materials and consumables	177.6	276.1	336.5	393.3
<b>Total</b>	<b>177.6</b>	<b>276.1</b>	<b>336.5</b>	<b>393.3</b>
<b>Receivables</b>				
Trade receivables	197.9	217.4	871.3	909.5
Prepayments and accrued income	39.5	33.4	163.0	106.8
Other receivables	77.7	78.8	169.6	103.0
<b>Total</b>	<b>315.1</b>	<b>329.6</b>	<b>1,203.9</b>	<b>1,119.3</b>
Cash in hand and at banks	1,522.1	968.5	1,010.0	1,954.5
<b>CURRENT ASSETS TOTAL</b>	<b>2,014.8</b>	<b>1,574.2</b>	<b>2,550.4</b>	<b>3,467.1</b>
<b>ASSETS TOTAL</b>	<b>3,049.9</b>	<b>2,019.3</b>	<b>3,047.4</b>	<b>3,962.9</b>

EUR in thousands	30 June		31 December	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	31,991.5	28,570.7	28,570.7	28,570.7
Share Issue	1,812.2	964.2	1,775.3	0.0
Share premium account	63.2	63.2	63.2	63.2
Reserve for invested unrestricted equity	0.1	0.1	0.1	0.1
Retained earnings / -loss	-32,817.1	-28,340.2	-28,276.5	-25,630.2
Profit / -loss for the financial year	-5,127.3	-2,548.2	-4,514.9	-2,699.0
<b>TOTAL EQUITY</b>	<b>-4,077.3</b>	<b>-1,290.3</b>	<b>-2,382.1</b>	<b>304.8</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Capital loans	1,503.1	500.0	1,503.1	500.0
Other interest-bearing loans	2,830.2	2,081.2	2,604.4	1,774.2
Deferred income	82.6	118.0	94.4	118.0
<b>Total</b>	<b>4,415.9</b>	<b>2,699.2</b>	<b>4,201.9</b>	<b>2,392.2</b>
<b>CURRENT LIABILITIES</b>				
Other interest-bearing loans	-	-	-	307.0
Deferred income	15.0	-	45.0	0.0
Trade payables	402.9	266.6	739.0	329.1
Other liabilities	2,093.9	150.9	96.9	76.8
Accrued expenses	199.5	193.0	346.7	553.0
<b>Total</b>	<b>2,711.3</b>	<b>610.4</b>	<b>1,227.6</b>	<b>1,266.0</b>
<b>TOTAL LIABILITIES</b>	<b>7,127.2</b>	<b>3,309.6</b>	<b>5,429.5</b>	<b>3,658.1</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>3,049.9</b>	<b>2,019.3</b>	<b>3,047.4</b>	<b>3,962.9</b>

## Consolidated Cash Flow Statement, summary

EUR in thousands	1 January – 30 June		1 January – 31 December	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities	-2,508.1	-1,859.2	-3,983.7	-3,075.5
Cash flows from investing activities	-663.3	-91.0	-238.9	-216.7
Cash flows from financing activities	3,683.5	964.2	3,278.1	1,107.8
Change in cash in hand and at bank	512.2	-986.0	-944.5	-2,184.3
Cash in hand and at bank in the beginning of the period	1,010.0	1,954.5	1,954.5	4,138.8
Cash in hand and at bank at end of the period	1,522.1	968.5	1,010.0	1,954.5

## Key performance indicators

EUR in thousands	1 January – 30 June		1 January – 31 December	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited, unless otherwise indicated)	
Net sales	413.9	499.3	1,871.0	3,190.4
Personnel expenses	-1,641.9	-1,550.9	-3,043.4	-3,082.6
Depreciation and amortisation	-125.3	-141.7	-237.7	-305.9
Other operating expenses	-1,672.3	-1,068.3	-2,472.0	-2,140.3
Profit/ -Loss for the period	-5,127.3	-2,548.2	-4,514.9	-2,699.0
Earnings per share (EUR)**	-20.15	-13.44	-22.84*	-14.24*
Cash flows from operating activities	-2,508.1	-1,859.2	-3,983.7*	-3,075.5*
Cash in hand and at banks	1,522.1	968.5	1,010.0	1,954.5
Total equity	-4,077.3	-1,290.3	-2,382.1	304.8
Equity ratio (%)	-87.19	-41.56	-30.23*	20.93*

\*Unaudited

\*\* The effect of the share issue without consideration on 29.9.2014 (split) is not accounted for.

$$\text{Earnings per share} = \frac{\text{Profit/ -Loss for the period}}{\text{Average number of shares}}$$

$$\text{Equity ratio (\%)} = \frac{\text{Total equity} + \text{Capital loans}}{\text{Total assets} - \text{advances received}} \times 100$$

## PRO FORMA FINANCIAL INFORMATION

### Basis for compilation of the unaudited pro forma financial information

The following unaudited pro forma financial information ("**pro forma**", "**pro forma information**") is presented to illustrate the financial impact of the following capital reorganisation measures taken after 30 June 2014 (together the "**Capital reorganisation measures**");

- The Company had three targeted share issues in May 2014, one of which was subscribed for and paid in July 2014. In this share issue the Company issued 1,458 the then new E-shares to existing shareholders and raised EUR 67.7 thousand as subscribed share capital.
- Certain shareholders of the Company subscribed new capital loan to finance the Company in September 2014. The subscription amounted to EUR 1,350 thousand.
- Based on the unanimous resolution made by the shareholders of the Company 29 September 2014, the Company issued 333,587 new Shares to convert a capital loan from certain shareholders into equity. The principal amount of the loan amounted to EUR 3,009.3 thousand of which EUR 1,003.1 thousand were classified as capital loan and EUR 2,006.2 as other current liabilities on the balance sheet as at 30 June 2014.
- The unanimous resolution made by the shareholders of the Company 29 September resolved to reduce the share capital and the share premium account of the Company. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand.

This unaudited pro forma information is presented for illustrative purposes only. The pro forma adjustments are based on above described Capital reorganisation measures executed in July–September 2014. The unaudited pro forma information illustrates what the hypothetical impact would have been if the capital reorganisation measures had been executed at an earlier point of time, and, therefore, does not present the actual financial position of the Company as of any future date.

The pro forma information has been compiled in accordance with the Annex II of Prospectus Regulation and on the basis consistent with the accounting policies applied by the Company.

### *Pro forma periods*

The pro forma consolidated balance sheet as at 30 June 2014 has been compiled assuming that the Capital reorganisation measures had been completed on 30 June 2014. The capital reorganisation measures do not have an impact on the consolidated income statement of the Company.

### *Historical financial information*

The pro forma information presented is based on the information derived from the unaudited half-yearly report as at and for the six-month period ended 30 June 2014 that has been included into this Prospectus. The pro forma information presented herein should be read in conjunction with the historical audited consolidated financial statements and the unaudited half-yearly report as well as sections "*Selected Financial Information*", "*Operating and financial review and prospects*", "*Risk factors – Risks relating to the Company and its business operations – The Company's unaudited pro forma financial information may not accurately reflect the financial position of the Company during the future reporting periods*" and other information presented in the Prospectus.

The auditor's report on the unaudited pro forma financial information is appended to this Prospectus.

**Pro Forma Balance Sheet as at 30 June 2014**

<b>EUR in thousands</b>	<b>Nexstim Group</b>	<b>Pro form adjustments</b>	<b>Note</b>	<b>Nexstim Pro Forma</b>
	(Unaudited)	(Unaudited)		(Unaudited)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>				
Development expenditure	98.9	-		98.9
Intangible rights	366.1	-		366.1
<b>Total</b>	<b>465.0</b>	<b>-</b>		<b>465.0</b>
<b>Tangible assets</b>				
Machinery and equipment	560.1	-		560.1
<b>Total</b>	<b>560.1</b>	<b>-</b>		<b>560.1</b>
<b>Investments</b>				
Other shares and similar rights of ownership	10.0	-		10.0
<b>Total</b>	<b>10.0</b>	<b>-</b>		<b>10.0</b>
<b>NON-CURRENT ASSETS TOTAL</b>	<b>1,035.0</b>	<b>-</b>		<b>1,035.0</b>
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
Raw materials and consumables	177.6	-		177.6
<b>Total</b>	<b>177.6</b>	<b>-</b>		<b>177.6</b>
<b>Receivables</b>				
Trade receivables	197.9	-		197.9
Prepayments and accrued income	39.5	-		39.5
Other receivables	77.7	-		77.7
<b>Total</b>	<b>315.1</b>	<b>-</b>		<b>315.1</b>
Cash in hand and at banks	1,522.1	1,417.7	1), 2)	2,939.8
<b>CURRENT ASSETS TOTAL</b>	<b>2,014.8</b>	<b>1,417.7</b>		<b>3,432.5</b>
<b>ASSETS TOTAL</b>	<b>3,049.9</b>	<b>1,417.7</b>		<b>4,467.5</b>



<b>EUR in thousands</b>	<b>Nexstim Group</b>	<b>Pro form</b>	<b>Note</b>	<b>Nexstim</b>
	(Unaudited)	adjustments		Pro Forma
		(Unaudited)		(Unaudited)
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	31,991.5	-31,911.5	1), 4)	80.0
Share Issue	1,812.2	-1,812.2	1)	-
Share premium account	63.2	-63.2	4)	-
Reserve for invested unrestricted equity	0.1	3,009.3	3)	3,009.4
Retained earnings / -loss	-32,817.1	29,858.8	4)	-2,958.3
Profit / -loss for the financial year	-5,127.3	3,995.9	4)	-1,131.5
<b>TOTAL EQUITY</b>	<b>-4,077.3</b>	<b>3,077.0</b>		<b>-1,000.3</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Capital loans	1,503.1	346.9	2), 3)	1,850.0
Other interest-bearing loans	2,830.2			2,830.2
Deferred income	82.6			82.6
<b>Total</b>	<b>4,415.9</b>	<b>346.9</b>		<b>4,762.8</b>
<b>CURRENT LIABILITIES</b>				
Deferred income	15.0			15.0
Trade payables	402.9			402.9
Other liabilities	2,093.9	-2,006.2	3)	87.7
Accrued expenses	199.5			199.5
<b>Total</b>	<b>2,711.3</b>	<b>-2,006.2</b>		<b>705.1</b>
<b>TOTAL LIABILITIES</b>	<b>7,127.2</b>	<b>-1,659.3</b>		<b>5,467.9</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>3,049.9</b>	<b>1,417.7</b>		<b>4,467.5</b>

## Notes to the unaudited Pro forma financial information

### Pro forma adjustments to consolidated equity as at 30 June 2014

The table below illustrates the effect of Pro forma adjustments to the equity of the Company. The details of the Pro forma adjustments are explained in section Pro forma adjustments below the table.

EUR in thousands	Nexstim Group (Unaudited)	Pro forma adjustments			Pro forma adjustments total (Unaudited)	Nexstim Pro Forma (Unaudited)
		1) Share issue (Unaudited)	3) Conversion of loan to equity (Unaudited)	4) Reduction of share capital (Unaudited)		
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	31,991.5	1,879.9	-	-33,791.4	-31,911.5	80.0
Share Issue	1,812.2	-1,812.2	-	-	-1,812.2	-
Share premium account	63.2	-	-	-63.2	-63.2	-
Reserve for invested unrestricted equity	0.1	-	3,009.3	-	3,009.3	3,009.4
Retained earnings / -loss	-32,817.1	-	-	29,858.8	29,858.8	-2,958.3
Profit / -loss for the financial year	-5,127.3	-	-	3,995.9	3,995.9	-1,131.5
<b>TOTAL EQUITY</b>	<b>-4,077.3</b>	<b>67.7</b>	<b>3,009.3</b>	<b>-</b>	<b>3,077.0</b>	<b>-1,000.3</b>

### Pro forma adjustments

The following adjustments and assumptions have been used in the compilation of the unaudited pro forma financial information of the Company:

#### 1) Share Issue

The Company had three targeted share issues in May 2014, one of which was subscribed for and paid in July 2014. This share issue of EUR 67.7 thousand is not included in the equity as at 30 June 2014. In the pro forma balance sheet the subscribed and paid share capital has been reported as an increase in the share capital and in the cash in hand and at banks. The share issue account included in equity as at 30 June 2014 amounting to EUR 1,812.2 thousand has been registered and recorded into share capital in August 2014. This has been presented in the pro forma balance sheet as a decrease in share issue and increase in share capital.

#### 2) Subscription of capital loan

Certain shareholders of the Company subscribed for a new capital loan of EUR 1,350.0 thousand to finance the Company. The loan constitutes a capital loan in the meaning of Chapter 12 of the Finnish Companies Act and is subordinated and junior to all other indebtedness of the Company, including any capital loans issued prior to the date thereof. The capital loan is interest free and its due date is 31 December 2018.

The capital loan was subscribed for and paid to the Company between 10 and 15 September 2014. The subscribed amount increased the cash in hand and at banks and the capital loan amounts in the balance sheet. The shareholders who have granted the loan have committed to subscribe for Offer Shares in the Offering by way of setting off the principal amount of the capital loan against the Offer Price. Information on the subscription commitments in relation to the Offering made by shareholders who have granted the capital loan is presented in the section "Agreements relating to the Offering - Subscription commitments".

#### 3) Conversion of a loan from certain shareholders into equity

Based on the unanimous resolution made by the shareholders of the Company 29 September 2014, the Company has issued 333,587 new Shares to convert the principal amount of EUR 3,009.3 thousand of the capital loan from certain shareholders into equity. The subscription price was EUR 9.02 per Share.

The subscription price of the loan amounted to EUR 1,003.1 thousand and the principal amount of the loan totalled to EUR 3,009.3 thousand. The amount below par value, EUR 2,006.2 thousand, has been recognised as interest and other financial expense in the profit and loss account for the six month period ended 30 June 2014 based on the loan term

according to which the loan shall fall immediately due and payable by the company in the event of the liquidation, a sale of all or majority of Company's shares, a public offering or a merger. The amount below par value, EUR 2,006.2 thousand, has been reported on other current liabilities line on the unaudited half-yearly balance sheet as at 30 June 2014. The Company has received waivers from all loan holders of this capital loan for the payment of unrecognised accrued interest in accordance with the capital loan agreement.

In this pro forma balance sheet, the principal amount of the loan of EUR 3,009.3 has been reported as an increase in the reserve for invested unrestricted equity, the subscription amount of EUR 1,003.1 thousand has been eliminated from the capital loan and the difference between the principal amount and the subscription price of EUR 2,006.2 thousand has been eliminated from other current liabilities.

#### *4) Reduction of the share capital*

The unanimous resolution made by the shareholders of the Company 29 September 2014 resolved to reduce the share capital and the share premium account of the Company. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand. The reduction has been registered on 3 October 2014. After the reduction the share capital amounts to EUR 80.0 thousand and the share premium account amounts to zero and have been reported accordingly in the pro forma balance sheet with the corresponding decrease in retained loss of EUR 29,858.8 thousand and in loss for the year of EUR 3,995.9 thousand. The allocation of the reduction in share capital and share premium account to retained loss and in loss for the year is based on the stand-alone balance sheet of the parent company.

The total equity of the stand-alone balance sheet of the parent company amounted to EUR -573.9 thousand as at 30 June 2014, excluding the capital loans. After the pro forma adjustments described above in sections 1 to 4 related to the Capital reorganisation measures the total pro forma equity of the stand-alone parent company pro forma balance sheet amounted to EUR 2,503.1 thousand as at 30 June 2014, excluding the capital loans.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following review should be read together with the sections "*Financial Information – Presentation of Financial Information*" and "*Selected Financial Information*" in this Prospectus as well as with Company's audited consolidated financial statements and unaudited half-yearly report included in the F-pages to this Prospectus.

The development of the Company's operations and financial condition during the financial years 2013 and 2012, the six-month period ended 30 June 2014 (including the comparable six-month period ended 30 June 2013) and the Company's prospects have been described below. The Company's audited consolidated financial statements as at and for the years ended 31 December 2013 and 2012 have been prepared in accordance with the Finnish Accounting Standards and unaudited half-yearly report as at and for the six-month period ended 30 June 2014, including unaudited comparative financial information as at and for the six-month period ended 30 June 2013, have been prepared in accordance with the Finnish Accounting Standards and presented in accordance with section 4.6 e of the Rules of First North. The financial information presented below has been derived from Company's audited consolidated financial statements for the financial years ended 31 December 2013 and 2012 and the unaudited half-yearly report for the six-month period ended on 30 June 2014 including unaudited comparative financial information for the six-month period ended on 30 June 2013.

In this section, "financial year 2013" refers to the financial year ended on 31 December 2013 and "financial year 2012" refers to the financial year ended on 31 December 2012.

This review contains forward-looking statements, which are subject to risks and uncertainties. Investors should also familiarise themselves with sections "*Risk factors*" and "*Special cautionary notice regarding forward-looking statements*" in this Prospectus. The important factors described in these sections may cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied in the forward-looking statements.

### Business environment

Nexstim's primary target market is the stroke therapy market, due to its size and strong unmet need for an effective rehabilitation method for motor function disability, one of the most common symptoms following a stroke. The Company is initially focusing on US and European stroke rehabilitation therapy markets, which are estimated by Nexstim to be worth a total of approximately USD 1.8 billion annually (approximately USD 694 million and approximately EUR 884 million respectively). The potential future sales efforts are intended to focus on the US stroke therapy market as it represents the largest unified market in terms of reimbursement models and health care systems.

Nexstim's second target market is pre-surgical mapping, which is smaller in comparison to the stroke market, but demonstrates a clear need for a noninvasive and accurate motor and speech mapping tool. Nexstim estimates that the total potential maximum market size for the NBS System in the US and Europe is around USD 625 million (United States 57 % and Europe 43 %). The estimate is not the annual value of the whole market but rather the current total market potential based on total number of clinics using devices compatible with the NBS System times the higher-end of the NBS System's estimated average selling price. The clinical operational life of the NBS System is estimated at seven years after which the device would need to be renewed. In addition to this, Nexstim estimates that the annual potential maximum market of consumables would be approximately USD 11 million (United States 38 % and Europe 62 %), based on the total number of applicable surgeries times the price of the consumables used.

### Factors affecting the results of the business

The operating profit / -loss of the Company is influenced by many factors that are either outside the Company's control, i.e. external, or within the Company's control, i.e. internal, by nature. The following list presents key factors that the Company perceives to affect the results of its operations at least until the end of Phase III multi-centre trial.

- Successful Phase III multi-centre trial and FDA clearance for the NBT System
- Phase III multi-centre trial costs
- Getting a reimbursement coverage for the treatments made with the NBS and NBT Systems in the US and in other targeted markets
- Building and execution of the health economics model of the NBS System
- Successful pre-commercialisation of the NBT System
- Availability of key personnel
- Maintaining a balanced cost structure

Firstly, the Company's result of operations is influenced by the Company's ability to successfully complete the Phase III multi-centre trial, the purpose of which is to get FDA clearance for the treatments with the NBT System. The trial results in employee expenses, expenses related to preparation of required documentation for the quality management system as well as costs relating to preparation and management of the trial. The Company expects that the costs relating to the NBT System Phase III trial shall increase during next 12–24 months. Additionally, the Company needs to get reimbursement

coverage for the treatment with the NBS and NBT Systems in the US and in other targeted markets, such as in Europe. Success in getting reimbursement coverage for the treatments in the US is essential requirement for growth in the future and creates a basis for reimbursement code applications in other targeted markets. Moreover, the Company needs to succeed in application of the health economics model because it affects the growth and profitability of the Company's business activities. Availability of key personnel and their commitment are important success factors for the Company. Availability of employees with appropriate expertise is especially important for the growth of the Company. In order to grow business in the future, the Company needs to recruit new key personnel, especially for commercialisation of the NBT System. The expenses of the Company's research and development activities reflect costs incurred in research and development projects. The Company's general and administrative costs consist of the salaries of management and marketing personnel and other personnel costs. It is estimated that the general and administration costs shall grow in the future due to the Company's expanding administration and due to new personnel in financial department, sales and marketing as well as due to increasing responsibilities after the contemplated FN Listing. Thus, the Company needs to be able to maintain a balanced cost structure.

Factors affecting the results of the business are described in more detail in sections "*Market overview*" and "*Description of the business*" of the Prospectus.

### **Recent development and material changes in financial position**

The following measures taken after the half-yearly report for the six-month period ended on 30 June 2014 included in this Prospectus have been explained in more detail in section "*Pro forma financial information – Pro forma adjustments to consolidated equity as at 30 June 2014*".

- The Company had three targeted share issues in May 2014, one of which was subscribed for and paid in July 2014. In this share issue the Company issued 1,458 the then new E-shares to existing shareholders and raised EUR 67.7 thousand as subscribed share capital.
- Certain shareholders of the Company subscribed new capital loan to finance the Company. The subscription amounted to EUR 1,350.0 thousand.
- Based on the unanimous resolution made by the shareholders on 29 September 2014, the Company has issued 333,587 new Shares to convert the principal amount of the existing capital loan into equity. The principal of the loan amounted to EUR 3,009.3 thousand of which EUR 1,003.1 thousand had been classified as capital loan and EUR 2,006.2 thousand as other liabilities as at 30 June 2014.
- The shareholders made a unanimous resolution on 29 September 2014 to reduce the share capital and the share premium account. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand.

The cash in hand and at banks of the Company were EUR 1,169.4 thousand as at 30 September 2014. The cash in hand and at banks have decreased EUR 352.7 thousand from as at 30 June 2014. The decrease is due to for example the costs of the Phase III multi-centre trial. The capital loan in the amount of EUR 1,350.0 thousand described above has been drawn to cover the expenses.

After 30 June 2014 the Company has continued sales of the NBS Systems and delivered new NBS Systems. Simultaneously, the Phase III multi-centre trial has proceeded according to the plan and the direct costs in relation to the trial have not significantly deviated from the Company's previous estimations. During the same period, no material changes have occurred in other operating costs.

Company has received a first order for a NBT System from a private rehabilitation centre in Finland in September 2014.

Mikko Karvinen was appointed as CFO of the Company as of 18 August 2014.

The shareholders made on 29 September 2014 a unanimous resolution to convert Nexstim to a public limited company.

### **Working capital statement**

The Company estimates that it does not have sufficient working capital to meet its current needs i.e. for a period of at least 12 months as of the date of this Prospectus or as of the date of the FN Listing. This is due to the estimated costs accruing in relation to the Phase III multi-centre trial of the Company's NBT System during the following twelve months. Based on a conservative revenue forecast and expense estimate, the Company believes that an aggregate amount of EUR 10 million is sufficient to cover its working capital deficiency for at least the aforementioned 12 month period. The Company's current working capital suffices until mid-November 2014.

The Company is carrying out the Offering, among other things, for the purposes of ensuring sufficient working capital. Company is of the opinion that if the Offering is completed in the intended timetable and if the proceeds of the Offering are at least the EUR 15 million required for the completion of the Offering (see "*Terms and conditions of the Offering – General terms of the Offering – Conditional Offering*"), the proceeds from the Offering (together with the Company's available cash in hand and at banks) provide the Company with sufficient working capital to meet its current requirements and to cover the working capital needs of EUR 10 million for a period of at least 12 months as of the date of this Prospectus or as of the date of the FN Listing.

## Future prospects

Based on its business forecast and sensitivity analysis the Company expects its operating profit to be positive during second half of the financial year 2017 at earliest. The expected profitability during the forecast period is based on following management estimates and assumptions:

- (a) Net sales from the sale of NBS Systems (Pre-Surgical Mapping, PSM) will grow significantly during financial years 2015 – 2017. The growth is based on the success in execution of the health economics model (described in more detail in "*Description of Business – Application of the NBS System in pre-surgical mapping – Health economics model*").
- (b) NBT System's (Navigated Brain Therapy, NBT) Phase III trials will progress as planned (described in more detail in "*Description of Business – Application in stroke therapy - NBT System – Phase III multi-centre trial*"). Expenses related to the Phase III trials are estimated based on the assumption that the trials end as planned during financial year 2016.
- (c) NBT System's pre-commercialisation phase plans will progress as planned (described in more detail in prospectus section "*Description of Business – Application in stroke therapy - NBT System – Pre-commercialisation plan*" and "*Description of Business - Application in stroke therapy - NBT System – Regulatory clearance strategy*"). Expenses related to the pre-commercialisation are estimated based on assumption that the trials end as planned during financial year 2016.
- (d) No net sales from NBT Systems is expected to be generated in the conservative business forecast period by the end of financial year 2017, hence the expenses related to the commercialisation of the NBT System have not been taken into account in the estimation.

The management of the Company can primarily influence on the items a) and c) presented above. Efforts to the sales of the NBS System may be increased, for example by increasing the number of salespersons and marketing efforts, and by changing the pricing or the business model. These factors can have an impact on the health economics model. Provided that the NBT System's multi-centre trial proceeds according to the plan, the management of the Company can invest in the pre-commercialisation plan to ensure their fulfilment.

The items b) and d) above are mainly outside the management's influence. The Phase III multi-centre trial of the NBT System is carried out by third parties and the Company is not able to influence the results of the trials. In order to generate revenue from the NBT System, it is likely that the other assumptions above need to be fulfilled as anticipated.

There are several uncertainties relating to the Company's future prospects. The most significant uncertainties are, in relation to the sales of the NBS System, the financial position of the customers, the sufficiency of the Company's sales and marketing resources and success in their activities, delays in obtaining clinical research results or the lack of sufficient additional research activities and obtaining reimbursement coverage for the treatment in line with the health economics model. In relation to the NBT System, the Phase III multi-centre trial may be unsuccessful and the FDA clearance may not be obtained in the anticipated extent or in the estimated time frame or at all. In addition, the costs of the trial may increase or turn out higher than estimated. A more detailed description of the uncertainties in relation to the Company's future prospects are presented in the Prospectus section "*Risk factors – Risks relating to the Company and its business operations*".

The Company intends to finance its business operations until the second half of the financial year 2017 based on the above estimates and assumptions with the net proceeds received from the Offering. The Company expects to receive funds in aggregate of EUR 18–22 million as net proceeds from the Offering. Subscriptions made by setting off the capital loan issued in September 2014 have not been deducted from such proceeds. If the net proceeds received from the Offering are less than expected and the Offering and FN Listing are completed, the Company may need additional financing which it intends to obtain to the extent required with other debt or equity financing.

## Operating results

### *Six-month period ended 30 June 2014 compared to six-month period ended 30 June 2013*

#### *Net sales*

Net sales decreased by EUR 85.4 thousand, or 17.1 %, to EUR 413.9 thousand in the six-month period ended 30 June 2014 from EUR 499.3 thousand in the corresponding period in 2013. The decrease of net sales was mainly due to weakening of the sales of NBS Systems during first half of 2014 which was mainly due to postponing of customer orders to second half of 2014. The Company has made changes in its US sales organisation in the beginning of year 2014 and this is expected to result in better sales activity towards the end of the year 2014.

#### *Work performed for own purpose and capitalised*

Work performed for own purpose and capitalised include capitalised development costs. Work performed for own purpose and capitalised increased by EUR 0.7 thousand, or 4.4 %, to EUR 17.5 thousand in the six month period ended

30 June 2014 from EUR 16.7 thousand in the corresponding period in 2013.

#### *Other operating income*

Other operating income increased by EUR 16.3 thousand, or 130.4 %, to EUR 28.7 thousand in the six-month period ended 30 June 2014 from EUR 12.5 thousand in the corresponding period in 2013. Other operating costs consisted mainly of grants received from Tekes.

#### *Materials and services*

Materials and services expenses totalled EUR 125.0 thousand in the six month period ended 30 June 2014 compared to EUR 311.5 thousand in the corresponding period in 2013, representing a change of EUR -186.6 thousand, or -59.9 %. This was mainly due to decrease in the amount of NBS Systems delivered to customers.

#### *Personnel expenses*

Personnel expenses totalled EUR 1,641.9 thousand in the six month period ended 30 June 2014 compared to EUR 1,550.9 thousand in the corresponding period in 2013, representing an increase of EUR 91.0 thousand, or 5.9 %. The increase was mainly due to increase of personnel and implemented increments in salaries.

#### *Depreciation, amortisation and impairments*

Depreciation and amortisation decreased by EUR 16.4 thousand, or 11.6 %, to EUR 125.3 thousand in the six month period ended 30 June 2014 from EUR 141.7 thousand in the corresponding period in 2013.

#### *Other operating expenses*

Other operating expenses totalled EUR 1,672.3 thousand in the six month period ended 30 June 2014 compared to EUR 1,068.3 thousand in the same period in 2013, representing an increase of EUR 604.0 thousand, or 56.5 %. This was mainly due to increase in costs related to Phase III trial.

#### *Operating profit / -loss*

Operating loss increased by EUR 560.5 thousand, or 22.0 %, to EUR 3,104.3 thousand in the six-months ended 30 June 2014 from EUR 2,543.9 thousand in the same period in 2013.

#### *Financial income and expenses*

Net financial income and expenses changed by EUR 2,018.7 thousand compared to a net financial expense of EUR 2,023.0 thousand in the six-month period ended 30 June 2014 from a net financial expense of EUR 4.4 thousand in the corresponding period in 2013. The increase of financial expenses primarily related to financial expenses of the capital loan from certain shareholders. The subscription price of the capital loan was EUR 1,003.1 thousand, and the principal of the loan EUR 3,009.3 thousand. The share below the par value, EUR 2,006.2 thousand, is recorded as other financial costs in the six-month period ended in 30 June 2014, based on a term in the loan agreement, according to which the loan falls due in the event of listing of the Company.

#### *Profit / -loss for the financial period*

For the reasons described above, the loss for the period increased by EUR 2,579.1 thousand, or 101.2 %, to EUR 5,127.3 thousand in the six-month period ended 30 June 2014 compared to EUR 2,548.2 thousand in the corresponding period in 2013.

### ***Year Ended 31 December 2013 Compared to Year Ended 31 December 2012***

#### *Net sales*

Net sales decreased by EUR 1,319.4 thousand, or 41.4 %, to EUR 1,871.0 thousand in the year ended 31 December 2013 from EUR 3,190.4 thousand in the corresponding period in 2012. The net sales for the year 2012 were the highest in the Company history. During the year 2013 the Company did not deliver as many NBS Systems as the previous year and sales activity did not reach the targeted level.

#### *Work performed for own purpose and capitalised*

Work performed for own purpose and capitalised include capitalised development costs. Work performed for own purpose and capitalised decreased by EUR 15.3 thousand, or 31.5 %, to EUR 33.2 thousand in the year ended 31

December 2013 from EUR 48.5 thousand in the corresponding period in 2012.

#### *Other operating income*

Other operating income decreased by EUR 397.6 thousand, or 84.1 %, to EUR 75.1 thousand in the year ended 31 December 2013 from EUR 472.7 thousand in the corresponding period in 2012. The decrease was mainly due to significant amount of grants received from Tekes and VTT for financial year 2012. Similar grants were not received in 2013.

#### *Materials and services*

Expenses related to materials and services totalled EUR 661.0 thousand in the year ended 31 December 2013 compared to EUR 800.4 thousand in the corresponding period in 2012, representing a change of EUR -139.4 thousand, or -17.4 %. The decrease in expenses was mainly due to decrease in the amount of deliveries of NBS Systems to customers during the financial year 2013 and transfer of production to subcontractor during financial years 2012-2013, including also the transfer of Company's inventory related to production.

#### *Personnel expenses*

Personnel expenses totalled EUR 3,043.4 thousand in the year ended 31 December 2013 compared to EUR 3,082.6 thousand in the corresponding period in 2012, representing a change of EUR -39.3 thousand, or -1.3 %. The decrease was mainly due to lower amount of bonuses for financial year 2013.

#### *Depreciation, amortisation and impairments*

Depreciation and amortisation decreased by EUR 68.2 thousand, or 22.3 %, to EUR 237.7 thousand in the year ended 31 December 2013 from EUR 305.9 thousand in the corresponding period in 2012.

#### *Other operating expenses*

Other operating expenses totalled EUR 2,472.0 thousand in the year ended 31 December 2013 compared to EUR 2,140.3 thousand in the corresponding period in 2012, representing an increase of EUR 331.7 thousand, or 15.5 %. This was mainly due to increase in R&D subcontracting expenses for financial year 2013.

#### *Operating profit / -loss*

Operating loss increased by EUR 1,817.0 thousand, or 69.4 %, to EUR 4,434.7 thousand in the year ended 31 December 2013 from EUR 2,617.7 thousand in the corresponding period in 2012.

#### *Financial income and expenses*

Net financial income and expenses decreased by EUR 1.1 thousand to a net financial expense of EUR 80.2 thousand in the year ended 31 December 2013 from EUR 81.3 thousand in the corresponding period in 2012.

#### *Profit / -loss for the financial period*

For the reasons described above, the loss for the period increased by EUR 1,816.0 thousand, or 67.3 %, to EUR 4,514.9 thousand in the year ended 31 December 2013 from EUR 2,699.0 thousand in the corresponding period in 2012.

### **Financial position**

#### *Non-current assets*

The Company's non-current assets were EUR 1,035.0 thousand as at 30 June 2014 and EUR 497.0 thousand as at 31 December 2013. Intangible assets amounting to EUR 465.0 thousand on 30 June 2014 consisted mainly of capitalised development costs and intellectual property rights. The tangible assets amounting to EUR 560.1 thousand on 30 June 2014 consist mainly of the Phase III trial machinery and equipment. The increase in tangible assets compared to 31 December 2013 was mainly due to Phase III trial machinery and equipment that were capitalised during the first half of the year 2014. As at 31 December 2013, the Company's non-current assets were EUR 497.0 thousand compared to EUR 495.8 thousand as at 31 December 2012. Intangible assets amounting to EUR 431.4 thousand on 31 December 2013 and EUR 413.0 thousand as at 31 December 2012 consisted mainly of intangible assets related to capitalised development expenses and intellectual property rights.



### *Current assets*

The Company's current assets totalled EUR 2,014.8 thousand as at 30 June 2014, a decrease of EUR 535.6 thousand compared to EUR 2,550.4 thousand as at 31 December 2013. The decrease was mainly due to decrease in inventory and trade receivables. As at 31 December 2013, the Company's current assets were EUR 2,550.4 thousand, a decrease of EUR 916.7 thousand compared to EUR 3,467.1 thousand as at 31 December 2012. The decrease was mainly due to a decrease in cash in hand and at banks.

### *Equity*

Company's equity totalled EUR -4,077.3 thousand as at 30 June 2014, a decrease of EUR 1,695.2 thousand compared to EUR -2,382.1 thousand as at 31 December 2013. The decrease of equity was mainly due to loss for the period. As at 31 December 2013, Company's equity totalled EUR -2,382.1 thousand, a decrease of EUR 2,686.9 thousand compared to EUR 304.8 thousand as at 31 December 2012. The decrease was mainly due to loss for the period. The changes in the equity relate to the share issues and losses incurred during the reporting periods.

As at 30 June 2014, the Group's parent company's share capital was 31,991.5 thousand, parent company's total equity was EUR -573.9 thousand and parent company's capital loans in the balance sheet were EUR 1,503.1 thousand. Thus, the parent company's equity and capital loans added up to EUR 929.2 thousand.

The Company does not have distributable funds. After 30 June 2014, the Company's equity has been strengthened by measures described in section "*Pro forma financial information*".

### *Liabilities*

#### *Non-Current Liabilities*

The non-current liabilities of the Company consist of capital loans, other interest-bearing loans and deferred income.

The Company's non-current liabilities totalled EUR 4,415.9 thousand as at 30 June 2014 and to EUR 4,201.9 thousand as at 31 December 2013. The increase of EUR 213.9 thousand was due to an increase in other-interest bearing loans. As at 31 December 2013, the Company's non-current liabilities totalled EUR 4,201.9 thousand and EUR 2,392.2 thousand as at 31 December 2012. The increase of EUR 1,809.7 thousand in 2013 was due to an increase in capital loans and other-interest bearing loans.

#### *Current Liabilities*

The current liabilities mainly consist of trade payables, other liabilities and accruals and deferred income.

The Company's current liabilities totalled EUR 2,711.3 thousand as at 30 June 2014 and EUR 1,227.6 thousand as at 31 December 2013. The increase of EUR 1,483.7 thousand was mainly due to the recognition of the loan from certain shareholders amounting to EUR 2,006.2 thousand. The subscription price of the loan was EUR 1,003.1 thousand and the principal amount EUR 3,009.3 thousand. The share below the par value, EUR 2,006.2 thousand, is recorded in other liabilities as at 30 June 2014 based on a loan term, according to which the loan falls due for payment if the Company is listed. As at 31 December 2013, the Company's current liabilities totalled EUR 1,227.6 thousand and EUR 1,266.0 thousand as at 31 December 2012. The accruals as well as other liabilities decreased in 31 December 2013 whereas trade payables, deferred income and other liabilities increased compared to as at 31 December 2012.

### **Investments**

Development expenditure that generate revenue in the future periods are capitalised and amortised over a five year period on a straight line basis.

The capitalised development expenditure amounted to EUR 98.9 thousand as at 30 June 2014, EUR 107.7 thousand as at 31 December 2013 and EUR 154.5 thousand as at 31 December 2012. The development expenditure consist of expenses related to development of NBT and NBS Systems that include, inter alia personnel expenses and expenses related to subcontracting of product development.

The machinery and equipment of Company totalled to EUR 560.1 thousand as at 30 June 2014, EUR 55.6 thousand as at 31 December 2013 and EUR 72.8 thousand as at 31 December 2012, which include inter alia the NBT and NBS Systems used for product development and marketing.

The most significant development project of the Company is the Phase III multi-centre trial of the NBT System. The expenses incurred within the project are dependent on the number of the patients participating in the trial. The Company has already acquired the machinery and equipment used in the multi-centre trial and paid to its partners the fees relating to the starting of the trial. The Company has not committed to the execution of the project according to the original plan, and the Company may change the plan or discontinue the project at any point of time, if the results from the trial are not in line with the expectations. The majority of the expenses incurred within the project will be expensed as they incur, and

the Company has not committed to cover the costs of the project to any extent other than in which the patient trial in progress at any point of time. The Company has financed the Phase III multi-centre trial by share issues and funds received as capital loans.

### **Financing and liquidity**

The Company finances its operations primarily by equity financing and product development grants and loans. To date, the Company has funded its operations with equity financing from its shareholders, capital loans granted by Tekes and shareholders, product development funding from Tekes and net sales received from sales of NBS System and services.

The Company has received product development funding from Tekes in the form of capital loans, development loans and grants.

#### *Liquidity*

The cash in hand and at banks of the Company were EUR 1,169.4 thousand as at 30 September 2014. The cash in hand and at banks have decreased EUR 352.8 thousand from as at 30 June 2014. The decrease is due to inter alia the costs of the Phase III multi-centre trial. The capital loan in the amount of EUR 1,350.0 thousand described above has been drawn from the shareholders to cover the costs.

Liquid assets, consisting of cash in hand and at banks, totalled EUR 1,522.1 thousand as at 30 June 2014 compared to EUR 1,010.0 thousand as at 31 December 2013. The change of EUR 512.2 thousand was mainly due to share issue and loss for the reporting period. Liquid assets totalled to 1,954.5 thousand as at 31 December 2012. The change in 2013 was mainly due to unprofitability of the operations.

#### *Cash flows used in operating activities*

The Company's cash outflow from operating activities for the six-month period ended 30 June 2014 was EUR -2,508.1 thousand and EUR -1,859.2 thousand in the corresponding period in 2013.

The change during the reporting period was mainly due to Phase III trial costs during first half of 2014. Net cash outflow from operating activities for the financial year 2013 was EUR -3,983.7 thousand and EUR -3,075.5 thousand in the financial year 2012. This is mainly due to lower net sales during the financial year 2013 compared to 2012.

#### *Cash flows used in investing activities*

Cash flow from investments was EUR -663.3 thousand for the six-month period ended 30 June 2014 and EUR -91.0 thousand in the corresponding period in 2013. The change during the reporting period was mainly due to investment in Phase III trial equipment during first half of 2014. The net cash used in investments was EUR -238.9 thousand in the financial year 2013 and EUR -216.7 thousand in the financial year 2012.

#### *Cash flows from financing activities*

Cash flow from financing activities was EUR 3,683.5 thousand for the six-month period ended 30 June 2014, an increase of EUR 2,719.3 thousand compared to EUR 964.2 thousand in the corresponding period in 2013. Financing through share issues amounted to EUR 3,457.8 thousand for the six-month period ended 30 June 2014. The cash flow from financing activities was EUR 3,278.1 thousand in the financial year 2013, an increase of EUR 2,170.3 thousand compared to EUR 1,107.8 thousand in the financial year 2012. Financing through share issues amounted to EUR 1,775.3 thousand in the financial year 2013 and EUR 0.0 thousand in the financial year 2012.

#### *Maturity of interest bearing liabilities*

The table below presents the grouping by maturities of the Company's interest-bearing liabilities. When reading the table, the restrictions relating to the repayment of the capital and interests on the capital loans should be taken into account. Pursuant to the terms and conditions of the capital loan, the capital may be repaid only if the restricted equity of the parent company is fully covered thereafter. Interest on the capital loans shall be paid only if the parent company has sufficient funds for profit distribution according to the balance sheet for the most recently ended financial year.

<b>EUR in thousands</b>	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Total interest bearing liabilities	6,339.5	4,107.5*	2,581.2
Amounts due in more than five years	626.1	875.0	1,191.2

\*The balance includes the subscription price of the capital loan from certain shareholders amounting EUR 1,003.1 thousand and excludes the unrecognised amount below par value, EUR 2,006.2 thousand. The principal of the loan to be repaid is EUR 3,009.3 thousand. The principal amount of the loan has been converted into equity on 29 September 2014.

### *Tekes capital loans*

Tekes has granted Company a capital loan of EUR 500.0 thousand. The capital of the loan has been drawn in 2001. Loan period was originally eight years, of which first five years were free of repayment. The interest rate is one (1) % less than the base rate set by the Finnish Ministry of Finance, however, at least 3 %. The principal may be repaid and interest paid only in so far as the sum 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. A capital loan is granted to a definite product development project and the loan covers a contract-based share of the project's R&D expenses. The repayments and unpaid accrued interest of the loan must be paid immediately after the adoption of the financial statements following the Offering, in case the Offering is executed as planned, as the sum of the unrestricted equity and all of the capital loans exceed the loss on the balance sheet of the Company.

### *Capital loans from shareholders*

The Company issued a capital loan on 2 September 2014 and current shareholders of the Company, HealthCap V, L.P, The Finnish Innovation Fund Sitra and Capricorn Health-Tech Fund NV subscribed and paid the capital loan to the Company in 10–15 September 2014. The subscription amounted to EUR 1,350.0 thousand. The loan constitutes a capital loan in the meaning of Chapter 12 of the Finnish Companies Act, subordinated and junior to all other capital loans. No dividend shall be payable by the Company if any amount under the Loan is due and unpaid. The capital loan is interest free and its due date is 31 December 2018. The shareholders who have granted the loan have committed to subscribe for Offer Shares in the Offering by way of setting of the principal amount of the capital loan against the Offer Price according to the terms of the Offering (see "*Terms and conditions of the Offering*").

Certain shareholders of the Company granted a capital loan to the Company in 2013. The subscription price of the capital loan was EUR 1,003.1 thousand and the principal amount was EUR 3,009.3 thousand in total. The interest rate was 10 % per annum. The principal could be 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 exceeded 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. The Company and all of its shareholders made a resolution on 24 September 2014 that the capital loan was considered due and that the principal amount will be converted into equity. The loan holders' rights to the accrued and unpaid interest were waived. The conversion was executed in 29 September 2014. Further information about the conversion is given in the sections "*Pro forma financial information*" and "*Company, shares and share capital – Development of share capital*". The Company has received a waiver from all loan holders concerning the payment of the unexpensed interests accrued according the terms of the loan.

### *Development loans*

Tekes has granted the Company three separate research and development loans for predefined product development projects. The loans cover a contract-based share of the project's research and development expenses. The loans can be drawn down against reported actual costs. The total amount of drawn development loans granted by Tekes amounted to EUR 2,830.2 thousand as at 30 June 2014.

The loans have been granted in 2009, 2012 and 2013.

In October 2013 Tekes granted a loan with principal amounting to EUR 828.4 thousand for the development of NBS System. Of this amount, EUR 474.2 thousand had been drawn down by Company as at 30 June 2014.

The terms of Tekes loans are in line with the general loan terms of Tekes. Loan periods are from seven to ten years and the annual repayments of the loans will be due during years 2016-2020. Interest rate for all loans is the base rate set by The Ministry of Finance minus three percentage points, however at least 1 % per annum. If the project fails or is in danger to fail, Tekes might postpone the due date of the loan, the loan or part of it can be converted into capital loan or, in exceptional cases, outstanding capital and interests might be waived from payment party or in total.

### *Other commitments and contingencies*

The nominal values of the leases according to lease contracts are presented in the table below for those falling separately due the following year and over a year.

<b>Leasing liabilities</b>	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Due no later than 1 year	55,3	59.4	52.4
Due later than 1 year	0.0	2.6	5.7
Total	55.3	62.0	58.1

Company has rented premises in Helsinki with a six-month notice period. In addition, Company has rented premises in US for a fixed period lease contract, the leasing period of which ends 31 May 2015.

The accrued interest, not recorded as expenses, of a capital loan in the amount of EUR 3,009.3 thousand granted by certain shareholders of the Company, amounted to EUR 300.9 thousand as at 30 June 2014. The Company and all of its shareholders made a resolution on 24 September 2014 that the capital loan was considered due and that the principal amount will be converted into equity. The loan holders' rights to the accrued and unpaid interest were waived.

As at 30 June 2014, an unrecognised interest amounting to EUR 185.0 thousand has accrued on the capital loan granted by Tekes, upon to the terms of the loan.

## INDUSTRY OVERVIEW

### Introduction to market overview

Nexstim's primary target market is the stroke therapy market, due to its size and strong unmet need for an effective rehabilitation method for motor function disability, one of the most common symptoms following a stroke. The Company is initially focusing on US and European stroke rehabilitation therapy markets, which are estimated by Nexstim to be worth a total of approximately USD 1.8 billion annually (approximately USD 694 million and approximately EUR 884 million respectively). The potential future sales efforts are intended to focus on the US stroke therapy market as it represents the largest unified market in terms of reimbursement models and health care systems.

Nexstim's second target market is pre-surgical mapping, which is smaller in comparison to the stroke market, but demonstrates a clear need for a noninvasive and accurate motor and speech mapping tool. Nexstim estimates that the total potential maximum market size for the NBS System in the US and Europe is around USD 625 million (United States 57 % and Europe 43 %). The estimate is not the annual value of the whole market but rather the current total market potential based on total number of clinics using devices compatible with the NBS System times the higher-end of the NBS System's estimated average selling price. The clinical operational life of the NBS System is estimated at seven years after which the device would need to be renewed. In addition to this, Nexstim estimates that the annual potential maximum market of consumables would be approximately USD 11 million (United States 38 % and Europe 62 %), based on the total number of applicable surgeries times the price of the consumables used.

### Stroke therapy market

#### *Global incidence of stroke*

Stroke is a disease that affects the arteries leading to and within the brain. A stroke occurs when an artery that carries oxygen and nutrients to the brain is either blocked by a clot or bursts. When blood flow to the brain is interrupted, part of the brain cannot get the oxygen and nutrients it needs and subsequently brain cells in those areas die<sup>1</sup>. The risk of stroke doubles each decade after the age of 55. In addition to age, the other main known factors that contribute to the risk of stroke are high blood pressure, smoking, obesity, poor diet, lack of physical activity, high levels of bad cholesterol (LDL), diabetes, alcohol, stress, depression and heart disorders<sup>2</sup>.

Stroke is one of the leading causes of disability in the world and it is the second leading cause of death globally (5 million deaths annually). Every year approximately 15 million people<sup>3</sup> have a stroke and it is estimated that a sixth of the world's population will suffer a stroke in their lifetime<sup>4</sup>. Therefore, an effective treatment method for stroke recovery represents a sizeable market opportunity.

More than 795,000 people suffer a stroke every year in the US according to data gathered in 2010<sup>5</sup>. In Europe annual stroke incidence would be over 1.3 million in 2014, based on WHO growth estimates<sup>6</sup>. Around 85 % of stroke victims survive the initial stroke<sup>7</sup>. In the US, healthcare services, medication and lost productivity relating to stroke cost the country an estimated USD 36.5 billion every year, USD 20.6 billion of which is direct medical costs. In Europe, direct health care costs relating to stroke were estimated to be EUR 42.4 billion in 2010<sup>8</sup>. According to the American Heart Association, the cost of stroke is set to more than double by 2030 (representing a CAGR of 5.4%), due to an aging population and lower fatality rates through improved treatment of acute stroke. The proportion of the population that are over 65 years old is expected to increase by 40 % in the US and 45 % in other developed countries between 2015 and 2050.<sup>9</sup>

Currently USD 8.5 billion is being spent on rehabilitation for stroke patients every year in the US<sup>10</sup>. However, current forms of treatment (occupational and physical therapy) have very limited efficacy, meaning payers of the treatment (such as governmental payers, for example Medicare or Medicaid, or a private healthcare insurance companies, for example Aetna, in the US) and patients get only marginal benefits from the expensive treatment. Nexstim has demonstrated in a single centre trial (Phase II) that, when used in conjunction with occupational therapy, the NBT System can have an over threefold increase in benefits compared to what is currently achieved.

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1 American Heart Association.

2 O'Donnell, Martin J., et al. "Risk factors for ischaemic and intracerebral haemorrhagic stroke in 22 countries (the INTERSTROKE study): a case-control study." *The Lancet* 376.9735 (2010): 112-123.

3 WHO The Atlas of heart disease and stroke section 15: Global burden of stroke [http://www.who.int/cardiovascular\\_diseases/en/cvd\\_atlas\\_15\\_burden\\_stroke.pdf](http://www.who.int/cardiovascular_diseases/en/cvd_atlas_15_burden_stroke.pdf) Mackay, J and Mensah, G 2004.

4 Seshadri, S. and Wolf, P.A. Lifetime risk of stroke and dementia: current concepts, and estimates from the Framingham Study *Lancet Neurology* vol 6, issue 12 P1106-1114 December 2007.

5 Heart Disease and Stroke Statistics (2012) Update: A Report From the American Heart Association, *Circulation* (2012); *The Global Burden of Disease* (2004) Update, WHO.

6 World Health Organization. *The World Health Report 2003: Shaping the future*. World Health Organization, Geneva, Switzerland, 2004b.

7 National Stroke Association, 2014.

8 J. Olesen: *The economic cost of brain disorders in Europe* (2012)

9 United Nations, Department of Economic and Social Affairs, *World Population Prospects 2012 Revision*, June 2013.

10 Clearstate: *Post acute stroke rehabilitation*, 2014.

The post-stroke symptoms vary greatly based on the severity and location of the stroke. Approximately 85 % of people that survive the acute stroke phase manifest upper limb hemiparesis (impairment of one arm)<sup>11</sup>. For complete recovery of upper limb function, the first three months after stroke are most important as around 55-75 % of stroke survivors still present upper limb hemiparesis 3-6 months after the stroke<sup>12</sup>.

Nexstim estimates that the relevant number of post-acute patients that could benefit from NBT treatment is around 712,000 patients a year (270,000 in the US and 442,000 patients in Europe), growing annually in line with the increase of population at risk of stroke (over 45 year olds). The estimation of annual potential patients is based on annual incidence of stroke adjusted for acute deaths and the proportion of patients that continue to suffer from upper limb hemiparesis after three months as conservatively estimated by the Company (40 % of the patients surviving a stroke).

An increasing body of evidence suggests rehabilitation can be effective for chronic stroke patients<sup>13</sup>. Based on the Company's own estimates, this could represent an additional patient base of 3.1 million chronic stroke patients in the US and 5.9 million in Europe who could benefit from Nexstim's NBT-treatment, representing a total market size of around USD 23 billion. The number of chronic patients is expected to increase by 20 % in the US by 2030 due to aging and improved acute care.<sup>14</sup>

The post-acute treatment of stroke related upper limb motor disability is currently physical and occupational therapy given at rehabilitation centres. The number of rehabilitation centres in the US with the capacity to provide post-acute care is estimated to be around 8,700. Of these centres 3,100 are comprehensive outpatient facilities<sup>15</sup> and 5,600 hospital outpatient departments<sup>16</sup>. These centres represent the relevant facility base where Nexstim's NBT System could be utilised.

### ***Competing technologies***

Intensive conventional physical and occupational therapies are currently the only treatments for post stroke upper limb motor disabilities. On the basis of the promising results shown in the single centre Phase II trials, the Company believes that Nexstim's NBT System could become the next leap forward in improving motor function disability rehabilitation. Stroke rehabilitation represents a sizable opportunity in the medical treatment market which pharmaceutical companies have attempted to penetrate for years without significant success.

Pharmaceutical companies have then shifted their attention to the prevention and acute care of stroke. Specifically, the companies have developed drugs aimed at lowering the risk factors of cardiovascular diseases, such as lipid lowering agents (e.g. statins) and anti-hypertensives. Pharmaceutical companies have also targeted the acute stroke care phase with clot dissolving agents aiming to restore blood flow.

The Company believes that its NBT System represents the most promising technology currently in trials. In the following table Nexstim's technology is compared to the most relevant competing technologies.

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11 Aprile, Irene, et al. "Kinematic Analysis of the Upper Limb Motor Strategies in Stroke Patients as a Tool towards Advanced Neurorehabilitation Strategies: A Preliminary Study." *BioMed research international* 2014 (2014).

12 Aprile, Irene, et al. "Kinematic Analysis of the Upper Limb Motor Strategies in Stroke Patients as a Tool towards Advanced Neurorehabilitation Strategies: A Preliminary Study." *BioMed research international* 2014 (2014).

13 Stinear, Cathy M., et al. "Functional potential in chronic stroke patients depends on corticospinal tract integrity." *Brain* 130.1 (2007): 170-180.

14 AHA (2013): *Forecasting the Future of Stroke in the United States*

15 Comprehensive outpatient rehabilitation facilities, United state government accountability office, 2004.

16 Medicare, Revisions to Payment Policies and Adjustments to the Relative Value Units Under the Physician Fee Schedule for Calendar Year 1999; 1998.

Device	Efficacy*	Comment*
<b>Nexstim NBT System</b>	Multi-centre clinical trial structure in place with 12 US sites (Phase III trials).	Promising Phase II results published in February 2014.
<b>Non-navigated rTMS</b>	<i>Repetitive transcranial magnetic stimulation given without the use of navigation. Ineffective as correct point of stimulation is unknown.</i>  Promising short-term effects. Less effects than with NBT. No long-term studies in place.	Difficult to repeat therapy to same area due to lack of navigation.
<b>Other navigated rTMS</b>	<i>Navigated repetitive transcranial magnetic stimulation using other forms of navigation.</i>  No published studies. Research ongoing.	Similar or more complex than NBT. No integrated systems available.
<b>Transcranial direct current stimulation (tDCS)</b>	<i>Form of neurostimulation using constant, low current delivered to the brain via small electrodes.</i>  Research stage. Conflicting outcomes reported.	-
<b>Cortical implants</b>	<i>Method of stimulating the brain through implants placed directly on the cortex.</i>  Failed Phase III clinical trials.	Difficult, requires invasive surgery.
<b>Other (e.g. robotics)</b>	No conclusive evidence of any technology improving rehab outcomes beyond intensive conventional rehabilitation	

\*Subjective measure, represents the Company's opinion.

As at the date of this Prospectus there are no market actors in the stroke therapy market utilising navigated TMS technology for stroke therapy. However, Nexstim considers as potential competitors companies that utilise technologies competing with Nexstim's technology for research or therapeutic purposes. The most notable such companies are Mag & More, neuroConn, Brain Science Tools, ANT Neuro, Brainsway and Neuronetics. As far as Nexstim is aware none of these companies is contemplating expansion to stroke therapy.

Companies focusing on research are Mag & More, neuroConn, Brain Science Tools and ANT Neuro. These companies utilise a simple navigated TMS technology (line navigation), which does not aim to model the electric field in the brain at all. Only ANT Neuro has technology which is able to model the electric field, but so far the company has no clinical evidence on the accuracy of the technology it utilises.

Companies focusing on therapeutic use are Brainsway and Neuronetics, which currently mainly focus on the depression treatment. Brainsway has developed a TMS device for treatment of depression. Brainsway's technology is utilised to stimulate the deeper areas of the brain allowing for the treatment of mental disorders and diseases caused by malfunctions in such deeper regions of the brain. Although the technology is able to penetrate deeper than Nexstim's NBT System, the technology doesn't have the accurate navigational capabilities of the NBT System.

Neuronetics' devices focus on noninvasive therapies for psychiatric and neurological disorders using MRI-strength magnetic field pulses. Neuronetics was the first to receive FDA clearance for treatment of depression with TMS technology in patients that have not benefited from medication. Neuronetics utilises simple non-navigated TMS technology which differs from Brainsway's technology by the lack of deep stimulation.

To its knowledge, Nexstim is the only company, which has a thoroughly proved accurate navigation which enables to locate the correct areas in the brain for stroke therapy purposes.

## Pre-surgical mapping market

### *Pre-surgical mapping (PSM)*

Pre-surgical mapping is a diagnostic function which constitutes the mapping of speech and motor cortices prior to a surgical procedure. The main purpose of PSM is to minimise the risk of speech and motor impairment when the area being operated is in the vicinity of these vital cortices. The current standard practice in pre-surgical mapping is direct cortical stimulation ("DCS")<sup>17</sup>, which involves mapping motor and speech cortices, by placing electrodes directly on the brain during the operation but prior to the actual procedure. However, as DCS requires direct access to the brain, it is not a viable option for effective planning prior to the procedure.

Nexstim's NBS System allows for accurate mapping prior to surgery. NBS motor and speech mapping have both been

<sup>17</sup> Picht T, et al. Assessment of the Influence of Navigated Transcranial Magnetic Stimulation on Surgical Planning for Tumors in or Near the Motor Cortex. Neurosurgery 2011, Vajkoczy, et al. Utility of Navigated Brain Stimulation in preoperative mapping of essential speech areas. 2012

shown to be as accurate as DCS in localising the primary motor and the speech cortex for pre surgical planning<sup>18</sup>, allowing for accurate procedural planning before surgery. Where the surgery has been planned by way of accurate motor and speech mapping made with the NBS System, the DCS is used to verify results of the mapping during surgery. Nexstim's NBS System is the only FDA-cleared and CE-marked noninvasive alternative capable of providing accurate mapping for neurosurgery. Within the scope of application in brain surgery, the NBS System can predominantly be utilised in surgeries where the operable area lies near or within speech and motor cortices, as it can help to avoid adverse effects of surgery through detailed mapping of the operable area. The key procedures which can benefit from NBS System are surgeries relating to brain tumours (neurosurgery and stereotactic radiosurgery), intractable epilepsy and arteriovenous malformations. Mapping the vital speech and motor cortices prior to brain surgery with the use of NBS System has been shown to have a significant effect on operating decisions regarding the size and location of the operable area and has led to statistically significant reductions in residual tumours in difficult operations compared to a control group. Pre-operative NBS motor mapping has been shown to increase the progression free survival time in patients with low grade gliomas by 45% (22.4 vs. 15.4 months), as more radical resections increase patient survival.<sup>19</sup>

### ***Relevant procedural market for PSM***

The total size of the potential PSM market for Nexstim is measured in incidences (cases) where the use of NBS System in motor or speech mapping could be clinically beneficial. Globally, cases suitable for NBS mapping are estimated by Nexstim to be around 81,740 each year. The Company's estimate of the number of annual incidences suitable for NBS mapping is broken down in the table below by geography and type of indication. The estimation is based on, among other things, the estimates by the American Brain Tumor Association and statistics of the Central Brain Tumor Registry of the US.

	<b>USA</b>	<b>Europe</b>	<b>Total</b>
Primary brain tumour	14,200	22,770	36,970
Metastatic brain tumour	14,200	22,770	36,970
Intractable epilepsy	2,000	3,200	5,200
Vascular malformation	1,000	1,600	2,600
<b>Total</b>	<b>31,400</b>	<b>50,340</b>	<b>81,740</b>

### ***Relevant hospital market for PSM***

Nexstim estimates the potential hospital market for NBS System through the number of hospitals performing craniotomies (surgeries involving the opening of the skull). These hospitals utilise either neuronavigators or stereotactic radiosurgery. The NBS System can be seamlessly integrated with the workflow in order to improve clinical results.

Neuronavigators visualise the brain prior and during an operation, while stereotactic radiosurgery is a non-surgical device that emits precise radiation to destroy specific brain cells. Nexstim believes the inclusion of the NBS System into the pre-surgical stage can increase the effectiveness of neuronavigators or stereotactic radiosurgery when operating near speech and motor cortices. Nexstim estimates the global number of hospitals with neuronavigators and stereotactic radiosurgery in 2014 is around 1,870 and 520 respectively. The Company bases these figures on the number of devices reported by the top market actors in these markets (Medtronic, Brainlab, Stryker, Elekta and Accuray). Geographically, the majority of the sites are in North America (46 %) and Europe (35 %), with the rest being mainly in Japan. In the US and Europe the Company estimates that there are 1,940 hospitals with neurosurgery equipment compatible with the NBS System.

### ***Competitive landscape***

Nexstim estimates that Nexstim's NBS System is currently unrivalled in the PSM market. Alternative technologies currently being used are unable to combine noninvasiveness and accuracy leaving NBS System as the only technology capable of accurately and safely mapping vital motor and speech cortices prior to surgery. A short summary of the technology utilised in the NBS System and alternative technologies for it is listed in the following table.

<sup>18</sup> Ibid.

<sup>19</sup> Frey, Dietmar, et al. "Navigated transcranial magnetic stimulation improves the treatment outcome in patients with brain tumors in motor eloquent locations." *Neuro-oncology* (2014): nou110



Technology	Comments*	Surgical procedure?
<b>Nexstim NBS System</b>	Precise mapping is made possible through accurate navigation and safe magnetic stimulation.	No
<b>Direct Cortical Stimulation (DCS)</b>	Accurate mapping, but requires invasive surgery through the placing of electrodes directly onto the brain, i.e. cannot be made prior to surgery.	Yes
<b>Functional Magnetic Resonance Imaging (fMRI)</b>	Indirectly maps neuronal activity through the measurement of changes in blood flow. Not as precise and accurate as NBS and DCS <sup>20</sup> .	No
<b>Magnetoencephalography (MEG)</b>	Measures the brain's magnetic fields to map activity. Not very precise for motor and speech mapping. Very expensive and time enduring (2-5 hours). <sup>21</sup>	No

\* Partly based on the Company's own view and partly on research results.

## Characteristics of the medical device market

### US regulatory clearance process

The medical device market is characterised by stringent regulatory requirements prior to access to market, particularly in the US. In the US, the FDA classifies medical devices under Classes I, II or III, depending on the level of control necessary to assure safety and effectiveness of the device and its equivalence to devices existing in the US market. This classification has an effect on the level of evidence required for the right to market and sell the medical device in the US for a specific treatment. In comparison to Class III, Class I and II devices only need to prove equivalence to a previously cleared device in addition to which less demanding proof of safety and efficacy requirements are applied. Class III devices are required to go through the pre-market approval (PMA) process which includes extensive clinical studies with FDA oversight due to the significant risk posed by the device or the lack of similarity to previously approved devices. However, manufacturers whose devices are automatically classified to Class III due to the lack of a cleared predicate device can file a De Novo petition for a down-classification to Class I or II provided that the device risk level can be demonstrated to be low or moderate. Devices down-classified to Class II or Class I would therefore only have to go through a comparatively lighter 510(k) pre-market notification clearance process. De Novo reclassification together with the 510(k) pre-market notification process is called the De Novo 510(k) clearance process. As a result of the clearance process an FDA clearance for the device may be obtained.

For medical devices without a predicate, an investigational device exemption (IDE) must be sought to allow the device to be used in clinical trials in the US. An approved IDE allows a company to bring the device to the US for research use. In cases where the safety of a study (and the device used in the study) can be proved to be of non-significant risk (NSR), an IDE application can be deemed unnecessary.

The FDA has not required an IDE approval for Phase III multi-centre trial, meaning the trial has been deemed to have a moderate level of risk.

### European regulatory approval

Within the European Economic Area (EEA) products defined in the Medical Device Directive (Directive 93/42/EEC, as amended, "**MD Directive**") need to have a CE marking and EC declaration of conformity. Nexstim's devices are class IIa devices for which assessment of conformity can take place in four different manners by a so called notified body. One of these manners is the full quality assurance system as set out in Annex II of the MD Directive.

In the full quality assurance system the CE marking requires that the essential requirements applied to a device are proven to have been met, the company has a quality management system assessed and certified by a notified body (such as VTT Technical Research Centre of Finland) and the company has made a EC declaration of conformity to the device. Additionally, the company is obliged to inform the notified body of any material changes to its products or quality management system.

Nexstim uses the full quality assurance system in its operations. Nexstim has quality management system certificates in accordance with ISO 9001 and ISO 13485 standards (medical devices) which can be utilised in connection with the full quality assurance system as a harmonised standard. Nexstim's NBT and NBS Systems have CE markings and EC

20 Forster, Marie-Thérèse, et al. "Navigated transcranial magnetic stimulation and functional magnetic resonance imaging: advanced adjuncts in preoperative planning for central region tumors." *Neurosurgery* 68.5 (2011): 1317-1325 and Krieg, Sandro M., et al. "Utility of presurgical navigated transcranial magnetic brain stimulation for the resection of tumors in eloquent motor areas: Clinical article." *Journal of neurosurgery* 116.5 (2012): 994-1001.

21 Tarapore, Phiroz E., et al. "Language mapping with navigated repetitive TMS: proof of technique and validation." *Neuroimage* 82 (2013): 260-272 and Tarapore, Phiroz E., et al. "Preoperative multimodal motor mapping: a comparison of magnetoencephalography imaging, navigated transcranial magnetic stimulation, and direct cortical stimulation: Clinical article." *Journal of neurosurgery* 117.2 (2012): 354-362.

declarations of conformity within the EEA.

### ***Pre-commercialisation process***

Obtaining an FDA clearance allows a medical company the right to market and sell a device for use in a specific applied market and use within the US. In Europe, a CE-marked device can be sold and marketed much more freely, as the intended use is not defined in detail. However, in the health care industry the right to market does not directly lead to commercialisation, especially when medical devices are being sold to hospitals and clinics. In the pre-commercialisation stage prior to full commercialisation, the manufacturer aims to obtain key opinion leader (KOL) support and to show the economic benefits of the device to different parties. KOL support usually facilitates the commercialisation of a medical device and helps in receiving reimbursement coverage.

### ***Health economics model***

Nexstim applies a value based approach to the health economics model which is built around the interplay between patients, healthcare providers and payers. The model is based on value creation for vested parties as no comparative peers currently exist to demonstrate the financial impact of the NBS and NBT Systems on hospital finances. Building a health economics model requires outcome data from clinical trials demonstrating the impact of the device on patient recovery. Depending on the type of medical device, the outcome data needs to prove either increased revenues or lower costs for the hospital, in addition to the prerequisite of benefit for the patients.

Increased revenues will generally come from the ability to charge for treatment either directly from the patient or more commonly through reimbursement coverage. Reimbursement coverage is paid by payers, such as insurance companies or governments, who need to see cost savings from paying out reimbursement. Increased revenues in the health economics model for hospitals can also come from the increase in other procedures made possible by the medical device or through improvements to hospital quality, attracting more patients.

The payers utilise the information of the the health economics model also to determine whether the alternative treatment is more cost efficient than the currently used treatment methods or if the treatment leads to lower costs in the long term, for example due to lower invalidisation, which may enable the patient to employ or to result in less after care.

### ***Reimbursement process***

Subsequent to gaining clearance from the FDA to sell and market a medical device in the US, reimbursement codes may be applied for in order to seek reimbursement coverage. Once reimbursement codes have been granted a decision on the extent of the reimbursement coverage, or how much money is received per treatment by the hospital or clinic, must then be negotiated with payers based on the cost of administering treatment and the cost benefits calculated by payers. Without these reimbursement codes, reimbursement coverage cannot be applied for and the patient would have to pay for the treatment in its entirety. An equivalent reimbursement process is used in most western countries.

Nexstim's NBS System for pre-surgical mapping has a reimbursement code in the US in the form of CPT III code (emerging technology code) which may become permanent CPT I code or the NBS System could be classified under a separate set of reimbursement codes. Nexstim's NBS System for pre-surgical mapping also has a reimbursement code in Germany (*Operationen- und Prozedurenschlüssel, OPS*).

Currently no reimbursement coverage has been applied to the reimbursement codes utilised by the NBS System.

## DESCRIPTION OF BUSINESS

### Overview

Nexstim is a medical technology company aiming to improve rehabilitation for stroke patients through the use of noninvasive brain stimulation. The Company has developed a technology which allows noninvasive targeting of a specific area of the brain with high accuracy. Nexstim has pioneered the technology as a diagnostic tool for brain surgery planning with its Navigated Brain Stimulation (NBS) System. The NBS System is the first and only Food and Drug Administration (FDA) cleared and CE-marked device utilising so-called navigated transcranial magnetic stimulation (nTMS) for mapping of the motor and speech cortices. Based on the same technology platform the Company has developed a device for stroke therapy called Navigated Brain Therapy (NBT) System which focuses stimulation on targeted locations in the brain to enhance and accelerate stroke rehabilitation by removing natural barriers for recovery.

### *Stroke therapy*

With its NBT System the Company is initially focusing on the rehabilitation of hand and arm movement (upper limb motor disability) which is one of the most common symptoms following a stroke. The NBT System was tested in a Phase II proof of concept clinical study, in which promising levels of improvement in motor functions lasting throughout a 6-month observation period were achieved (for further information on the results of the trial see below "*Application in stroke therapy – Phase II Trial*"). Nexstim has earlier this year initiated a two-year clinical Phase III trial at 12 prominent rehabilitation sites in the US, aiming to demonstrate the effectiveness of the NBT System and to obtain an FDA clearance for marketing the device for post-acute stroke treatment in the US. Nexstim is currently preparing a pre De Novo submission for the FDA. If an FDA clearance for the NBT System is obtained, the Company may begin the commercialisation of the device for use in stroke rehabilitation.

Nexstim's NBT System is currently 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 treatment in the Phase III multi-centre trial. The Company expects that the rehabilitation centres participating in the multi-centre trial would be early adopters of the NBT System after the trial is completed.

### *Diagnostics*

Nexstim's NBS System, which is used for pre-surgical diagnostics, is currently in the pre-commercialisation stage. Sales and marketing efforts of Nexstim's NBS System have primarily been targeted on universities and teaching hospitals with strong key opinion leader (KOL) presence in the fields of neurosurgery and radiology.

As at the date of this Prospectus Nexstim has sold approximately 120 NBS Systems, out of which 40 are for clinical use and 80 for scientific research purposes according to the Company's estimation. Nexstim's revenues for the past two years have been generated from the sales of its NBS Systems and from after sales activities such as training, maintenance and the sale of spare and consumable parts.

### Company history

Nexstim (then Neuroway Technologies Oy) was established in 2000 by Academy Professor Risto Ilmoniemi and Pekka Puolakka as a spin off from research at the low temperature physics laboratory in the Helsinki University of Technology (currently part of Aalto University). The research was also partly carried out at the BioMag laboratory of the Helsinki University Central Hospital in 1994-1999. The purpose of the Company was to commercialise the opportunities discovered through the addition of navigation to existing transcranial magnetic stimulation (TMS) technology. The Company believed navigation to be the crucial aspect for the emerging TMS technology to become a clinical tool for patient treatment. Pekka Puolakka was a board member for a long time and currently holds a Senior Adviser role in the Company. Both founders are still shareholders in Nexstim.

To materialise the full potential of navigated TMS, the Company first set out to develop the NBS System in order to develop and prove the efficacy of the navigation function of the technology. The Company believes that proving the safety, accuracy and reliability of the NBS System's technology platform through diagnostics, it has established a regulatory base and market foundation for the use of the same technology in other more commercially profitable markets, such as the stroke therapy market. Nexstim's NBS System has been successful in receiving positive research attention and utilisation by key opinion leaders (KOLs) which, in addition to being CE-marked and FDA cleared, creates a solid base for using the same technology platform in the NBT System for post-acute stroke therapy.

Throughout its history the Company has been mainly financed by investors and venture capital firms that are specialised in the healthcare industry, such as HealthCap V, L.P., LSP III Omni Investment Coöperatief U.A and Capricorn Health-Tech Fund NV. These investors have also supported the Company and the development of its business. So far the main shareholders of the Company have invested in total EUR 35 million in the Company.

## ***Key historical events***

<b>Year</b>	<b>Event</b>
2000	Company founded by Risto Ilmoniemi and Pekka Puolakka.
2003	First commercial product launched, first CE mark and first device sold to University of Wisconsin, Madison, USA.
2006	Winner of the European Information Society Technology (IST) Prize.
2007	Completion of the first Nexstim NBS System. First unit placed in Germany at Charité Berlin Neurology Department and first motor mapping of brain tumour done followed by surgery.
2008	Subsidiaries established in the US, UK and Germany.
2009	First FDA clearance received to market NBS System for motor mapping in the US.
2010	Phase II trial of NBT System in the US launched.
2012	FDA clearance received to market NBS System for speech mapping in the US. FDA's positive response to multi-centre phase III stroke trial pre IDE received. CPT III reimbursement code for pre-surgical mapping made with the NBS System and OPS reimbursement code in Germany.
2013	Phase II trial of NBT System reaches end-point.
2014	PSM outcome papers show positive outcomes in clinical patient care. Phase II trial data of NBT System published in February. Phase III multi-centre trial for NBT System called launched in the US. The Company was awarded a spot on the Red Herring European Top 100 list and was also included in the Wired UK's hottest start-ups 2014 list.

## **Strategy**

The Company's strategy is to validate the navigated transcranial magnetic stimulation (nTMS) technology's therapeutic utility in post-acute stroke. The Company intends to demonstrate this by proving the clinical efficacy of its navigated technology platform in targeted noninvasive neuromodulation for motor rehab.

The Company's strategy is also to validate the commercial potential with the clinical utility of the same technology in pre-surgical mapping (PSM).

In the future, the Company intends to investigate the applicability of its technology platform also in other indications within stroke and, for example, in pain and tinnitus.

### ***Proving clinical efficacy of the NBT System***

Nexstim's NBT System used for stroke therapy is currently in the development and pre-commercialisation phase. The Company is currently conducting a Phase III multi-centre trial in order to prove the efficacy of the NBT System treatment in the rehabilitation of post-acute stroke related upper limb motor disability. Additionally, the pivotal Phase III trial is being conducted in order to obtain key opinion leader (KOL) support and outcome data to build a health economics model prior to seeking reimbursement coverage and commercialisation of the device. Nexstim plans initially to target the US stroke therapy market as the US represents the largest single market facilitating reimbursement coverage for a large patient base. The Company is also conducting its pivotal Phase III trials in the US, in order to seek local KOL support. In order to access the US market the Company contemplates to apply for the FDA's De Novo 510(k) clearance for the use the NBT System in the US. With these actions the Company aims to create a competitive advantage to potential competitors and facilitate full commercialisation in the next phase of the Company's strategy.

For the later commercialisation stage Nexstim intends to utilise a consumable sales model for the stroke therapy market, whereby revenues are generated mainly through the sale of consumable kits sold per procedure with a high margin. The sales model has been chosen due to the high population of stroke survivors with motor related disabilities and high levels of stroke incidences every year requiring approximately 20 consumables per treatment period per patient. The device has an annual maximum capacity of approximately 2,000 sessions. The sales model allows for a low initial investment in the NBT System for the customer which the Company believes will promote the future sales of the NBT System.

### ***Pre-commercialisation of the NBS System***

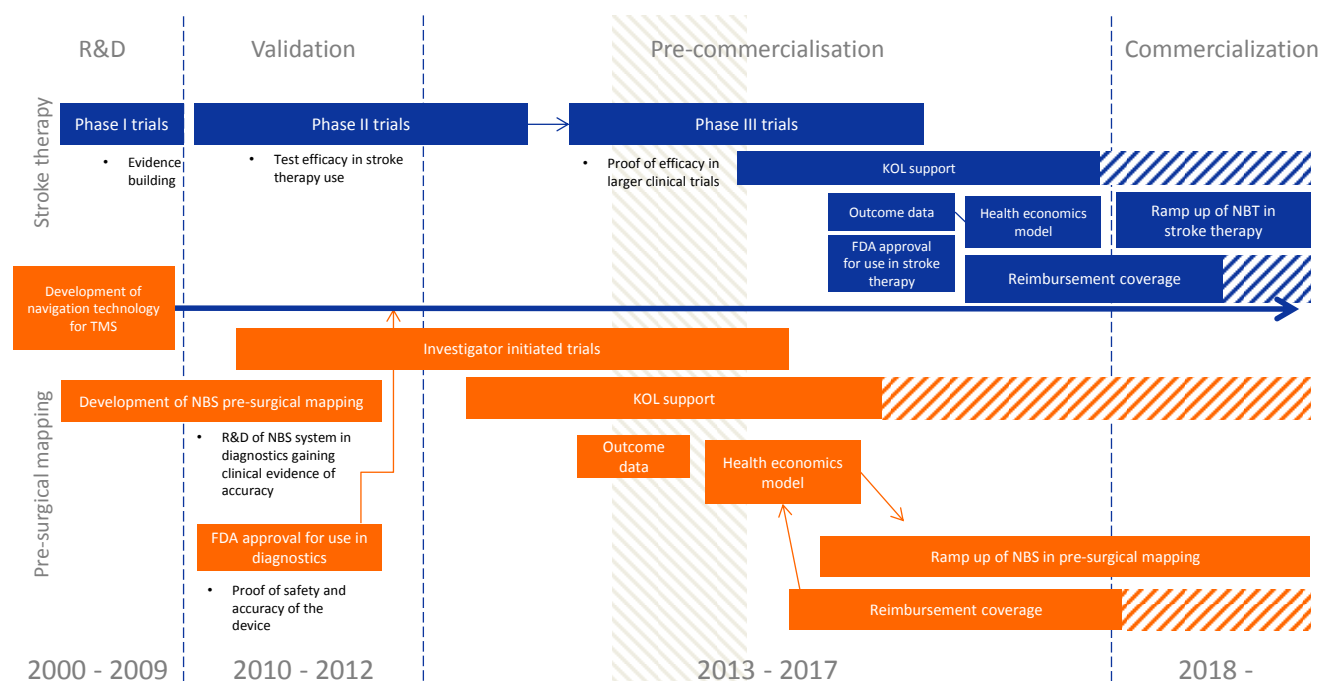
The Company initially launched the NBS System in the diagnostics market for use in pre-surgical mapping (PSM) as a proving ground for its navigation technology due to the high requirements placed on accuracy and reliability in PSM. The

Company has obtained an FDA clearance and CE marking for the NBS System for both motor and speech mapping.

The Company launched its next generation NBS 5 System in September 2014 and it is currently being sold in the US and Europe. Sales focus is currently on universities and teaching hospitals to obtain further KOL support. The Company is currently in the process of building its health economics model by utilising recently released outcome data from investigator initiated trials which data showed significant benefits of the use of the NBS System in clinical treatment. The building of the health economics model facilitates the larger scale sales effort initiated following the recent launch of its NBS 5 System (see "*Description of business – Pre-surgical mapping - NBS System – Health economics model*"). The Nexstim's next generation NBS 5 System is an updated version which does not require separate FDA clearance or CE marking as it does not have a significant technological difference to the previously cleared version NBS 4.

In the pre-surgical market Nexstim has adopted a sales model whereby revenues are primarily generated by the sale of the NBS System. The NBS System has a higher relative pricing compared to the NBT System. The typical clinical operating life of a NBS System is seven years. The sales model has been chosen due to the relatively low annual level of incidences where pre-surgical mapping could be clinically beneficial.

The Company's illustrative strategic timeline for the development and commercialisation of its NBT and NBS Systems is set out below.



## Company strengths

According to Nexstim management, the Company's strengths in executing its strategy are the following:

- The need for clinical care in post-acute stroke patients creates a strong potential demand.* The Company believes that as at the date of this Prospectus stroke patients have available post-acute treatments that show only limited efficacy. With the navigation function of the NBT System the Company aims to create a competitively advantageous position. In the future Nexstim may also use its technology platform to build new applications for other indications, such as tinnitus and chronic pain. In addition to physiotherapy and occupational therapy there are currently no commercially viable treatments for post-acute care of stroke patients. In the Company's view this may create a possibility for Nexstim to establish a market position where competitive alternative treatments are limited. The Company plans to apply relatively low pricing for the initial investment on the NBT System and to share the volume risk with customers through the sale of consumables used during treatment.
- Received regulatory clearances reduce the risk of executing the Company strategy.* The Company believes that the regulatory clearances received for the technology platform (FDA clearance for the NBS System and CE marking for both NBS and NBT Systems) reduce the risk of receiving the necessary regulatory clearances for the NBT System. Development risks for the technology platform and the NBT and NBS Systems built on that platform are therefore only limited to proving clinical efficacy. The Company's NBS System has already been tested in clinical and research use through the sale of approximately 120 units to date.
- Promising results in Phase II clinical trial of NBT system.* The Phase II clinical trials performed by the Company showed statistically significant clinical benefits of the Nexstim technology platform in stroke therapy use. The trial also provided for proof of protocol for the Phase III studies currently taking place.
- Multi-centre Phase III trial of NBT System being conducted in 12 prominent rehabilitation centres in the US.*

Nexstim has been able to utilise Phase II trial results to convince 12 prominent rehabilitation centres in the US to participate in the pivotal Phase III multi-centre trials. These rehabilitation centres also have key opinion leaders whose support to the efficacy of the NBT System is highly important for the Company. Nexstim also believes that the preliminary discussions with the FDA in addition to the Phase III trial protocol review by the FDA set a solid foundation for the clearance process.

- *Experienced owners and management.* The Company's management has past experience in medical device development and members of the management team have previously worked in medical technology companies. Among the members of the board of directors Timothy Irish, Kenneth Charhut and Olli Riikkala have strong industry experience. Among the members of the management team Gustaf Järnefelt has previously worked at GE Healthcare Finland Oy (former Instrumentarium Oyj), Rainer Harjunpää at GE Healthcare Finland Oy and John Hardin at Mindframe Inc., Ev3 Inc. and Medtronic Inc. (See "*Management and other key personnel*" for more details). The Company's shareholders also include investors and venture capitalist firms that are specialised in the healthcare industry, such as HealthCap V, L.P., LSP III Omni Investment Coöperatief U.A and Capricorn Health-Tech Fund NV, who have financed the Company and who, to the knowledge of the Company, intend to remain as long term investors in the Company.

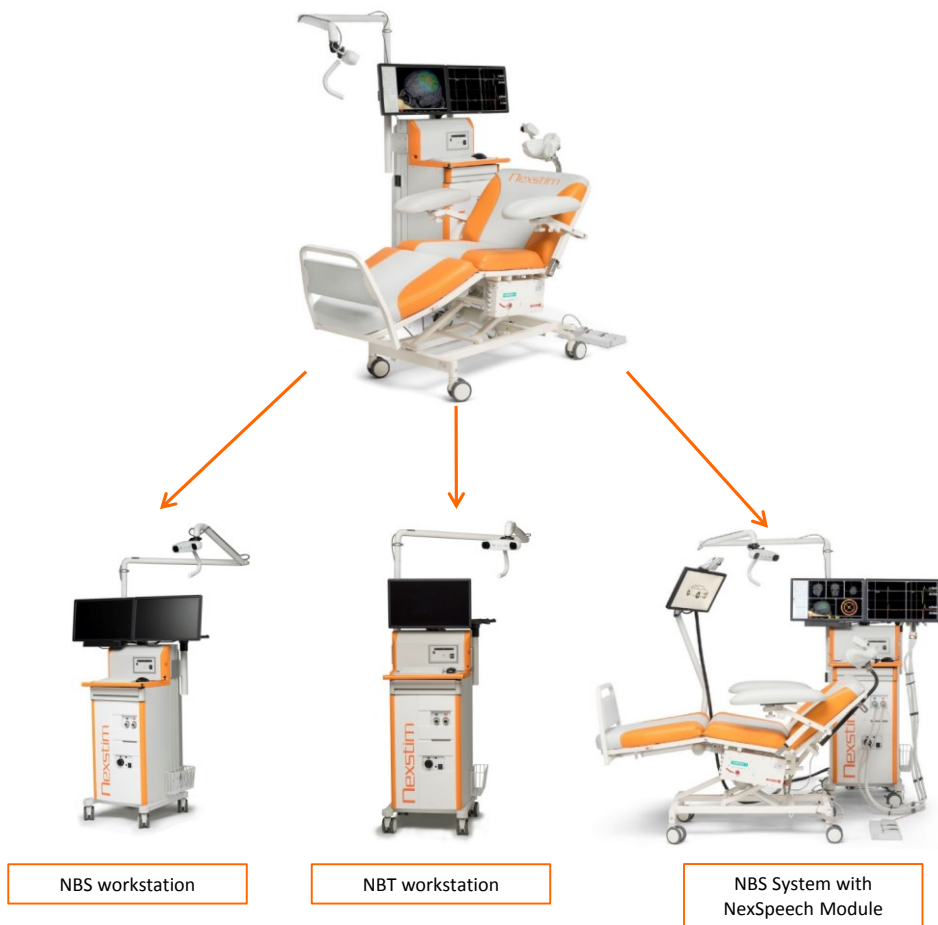
## **Products**

Nexstim produces NBS and NBT Systems, which are manufactured by Nexstim's subcontractor Innokas Medical Oy. The devices can be delivered to the end buyers directly from Innokas Medical Oy's manufacturing plant in Kempele, Finland. Nexstim has developed two distinct product lines for pre-surgical mapping and stroke therapy markets, built on a single platform. The Nexstim NBS and NBT Systems comprise of a workstation (including a navigation system) and a patient chair. The Company produces two different workstations for applications in pre-surgical mapping and stroke therapy. The workstation utilised for stroke therapy markets is a simplified and more application specific version of the workstation utilised for pre-surgical mapping. The differences between the workstations come from the use of motor and speech mapping in PSM requiring more extensive diagnostic capabilities and user interface.

Nexstim's NBT System utilises targeted transcranial magnetic stimulation to remove barriers for recovery in upper limb motor disability. The NBT System utilises a different workstation than NBS, as the accurate location and repetitive delivery of therapeutic stimulation to the correct area is key. The NBT System is also designed to ensure delivery of stimulation to the targeted area despite movements of the patient. The NBT System has an air-cooled coil, allowing for longer treatment periods.

Nexstim's NBS System is the only FDA cleared and CE-marked noninvasive alternative capable of providing accurate speech and motor mapping for neurosurgery. The NBS System has been designed to seamlessly integrate into neurosurgical workflows by easily exporting mapping data to neurosurgical devices. The NBS System utilises a basic mapping coil. To enable speech mapping capability, a NexSpeech module must be added. The NexSpeech module includes a separate monitor, an air-cooled coil and software to map and analyse the speech areas of the brain. The NBS System with the additional NexSpeech module is the only noninvasive FDA cleared and CE-marked device capable of speech mapping. Furthermore a version of the NBS System made specifically for research purposes is available.

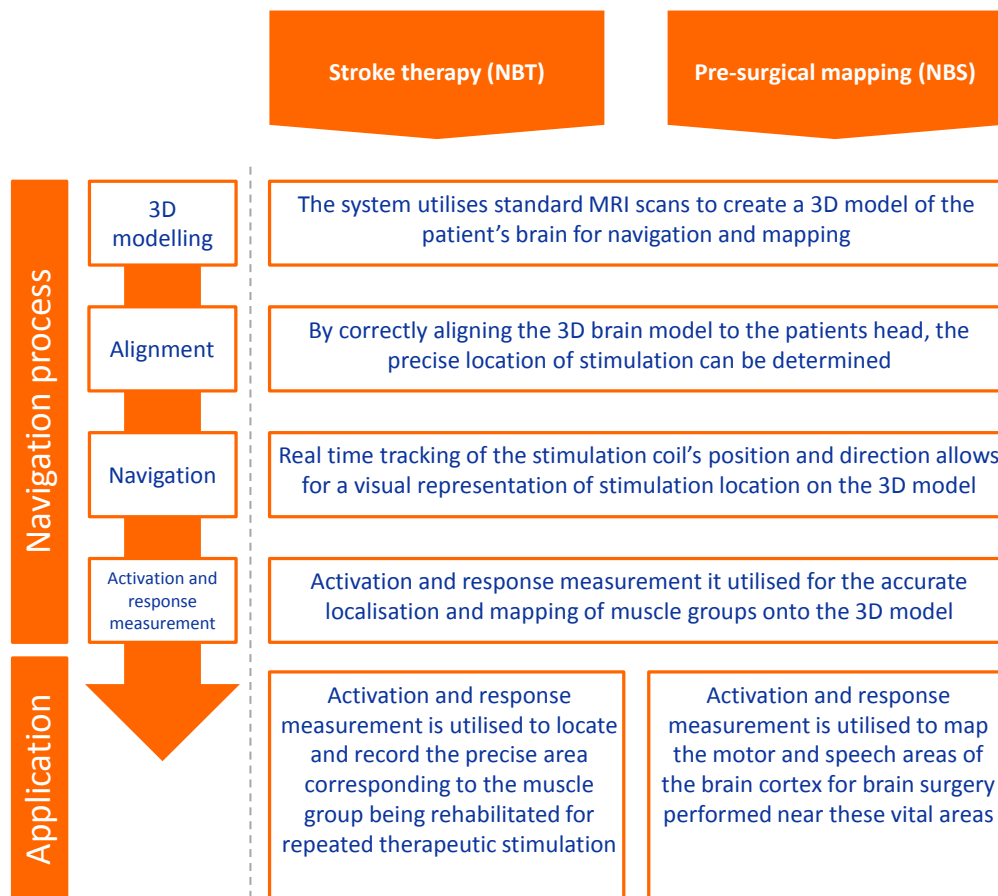
The composition of Nexstim's devices is illustrated below.



Nexstim has sales and after sales operations in its sales offices in Germany and US in addition to the headquarters in Finland. In the European countries the Company operates through distributors. The Company's distributor network extends also to other countries, such as Russia, Saudi Arabia and Taiwan.

### Technology platform

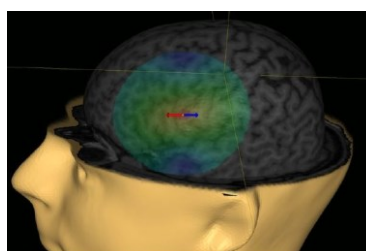
Nexstim's NBT and NBS Systems are based on a single technology platform that combines navigation, activation and response measurement. The platform is based on the integration of a navigation system and different software algorithms, a proprietary TMS stimulator and EMG which measures the muscle response activated by the stimulation. The functionality of the technology platform and the differences between the two devices is briefly illustrated below.



### Navigation process

#### 3D modelling

Nexstim has proprietary algorithms that produce a navigable 3D model of a patient's brain based on the patient's MRI (magnetic resonance imaging, MRI) scans. The 3D model acts as a virtual representation of the patient's actual brain for navigation purposes, as it allows the physician to visualise the precise area of stimulation in real time. The 3D model also acts as the base to record responses for motor and speech mapping. An illustration of a 3D model is shown below.



#### Alignment

As the Nexstim platform utilises stereotactic navigation, the 3D model needs to be aligned to the patient's head. The platform records three predefined points of reference on the model, which are then shown on the patient's head using the registration tool. This allows the software to determine where patient's head is in relation to the 3D model. Tracking of the stimulation coil in relation to the head is achieved through the interplay between a consumable head tracker placed on the patient's forehead, tracking points on the stimulation coil and a stereotactic infrared camera sensor. The consumable head tracker has a built-in encrypted RFID chip, which is required to use the two devices. Without a correct consumable head tracker compatible to the device, the device cannot be utilised. The consumable head trackers can only be used once. The tools used for alignment and tracking are illustrated in the following.





### *Navigation*

Nexstim's technology platform navigates the electric field (e-field) induced in the brain cortex in real time, which is produced by the magnetic field pulses of the TMS coil. Navigation is achieved by calculating the location and direction of the TMS coil in relation to the head, which produces with the algorithms an accurate visualisation of the magnetic stimulation and induced electric field being delivered onto the patient's brain. To determine the location of the point of stimulation on the brain, complex algorithms are utilised to calculate the penetration of the magnetic fields through the brain. Magnetic fields can be diverted when moving through the cranium and brain tissues, altering the point of impact of the fields on the cortex. The real time calculations made by the algorithms utilising information from MRI imaging allows the navigation technology to determine and visualise the correct and accurate location of stimulation for the individual patient, based on the shape of the patient's head and the anatomy and consistency of the brain. This image-guided form of navigation facilitates the targeting of brain centres, as the area of stimulation is visualised onto the 3D representation of the brain in real time.

### *Activation and response measurement*

Activation of the brain cortex is achieved through the TMS coil, which delivers a precise and powerful temporary magnetic field and a corresponding electric field to a precise area of the brain. Activation of the motor cortex sends a signal to the corresponding muscle group, which is measured and mapped onto the 3D model through integrated EMG attached to the activated muscle. The strength of stimulation can be adjusted to the patient's individual motor threshold (MT). Motor threshold is a patient specific level of stimulation where the response to the stimulation can be measured with EMG. Magnetic stimulation below the personal motor threshold would not produce a reaction in the patient's brain and would therefore have no measurable stimulative effect.

### *Application of Nexstim platform in NBT and NBS Systems*

While the process of navigation is the same for the NBS and NBT Systems, the utilisation of the activation and response measurement process differs between the two devices.

In therapeutic use of the NBT System the correct and accurate targeting of the intended anatomic structure as well as the correct individualised calibration of the stimulation dose are essential. Once the target area has been located it is mapped onto the 3D model for repeat stimulation in future treatment sessions. Nexstim believes that accurate navigation is also the most difficult factor to achieve making it very difficult for competitors to reproduce. Nexstim further believes that the ability to stimulate the exact same area throughout the various therapy sessions, utilising navigation, will be shown to be the crucial factor for recovery of motor control after stroke.

In diagnostic use of the NBS System, the wider area of the brain corresponding to speech and motor cortices is mapped to prevent damaging these areas during neurosurgery as well as to determine the extent of resectable tissue. Mapping motor and speech cortices is achieved by a repetitive activation and response measurement process over wider areas creating a map onto the 3D model, while navigation for therapy is utilised to locate a single point corresponding to a muscle group.

The technology platform is also being utilised by various university hospitals to research applicability in areas such as pain, tinnitus and memory improvement.

The use of Nexstim's technology platform in diagnostic and therapeutic applications and in business operations is described in detail below.

### **Application in stroke therapy - NBT System**

Transcranial magnetic stimulation (TMS) when given in a repetitive form (pulse trains), can be used to modulate activity of the brain by either exciting (up-regulating) or inhibiting (down-regulating) the hemispheres. The motor cortices responsible for muscle control in the left and right hemispheres of the brain are strongly interconnected, with each side naturally inhibiting the activity of the other side, achieving a natural balance. In cases where one side is lesioned, as in

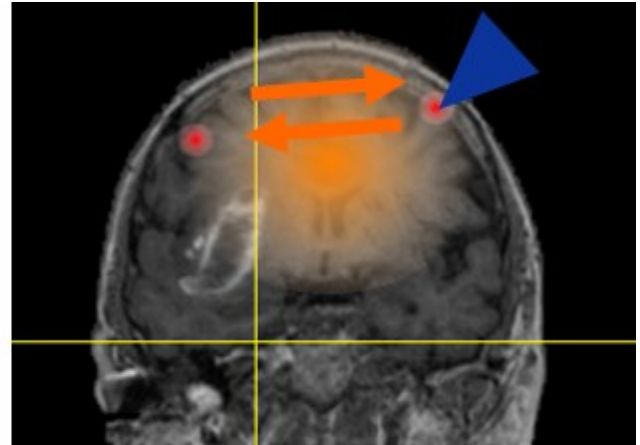
stroke, the natural balance between the hemispheres is disrupted<sup>22</sup>, as the healthy side attempts to compensate through stronger inhibition of the lesioned side. As result, the ability to participate in motor training, which is necessary for the recovery of motor control, is severely challenged.

Two potential roles have been described for repetitive transcranial magnetic stimulation (rTMS) to control the balance between healthy and lesioned sides of the brain in stroke recovery: utilising 1Hz repetitive stimulation to inhibit the healthy side or utilising 10Hz repetitive stimulation to activate the damaged side.

Nexstim has decided to utilise inhibiting stimulation on the healthy hemisphere, as direct stimulation to the lesioned side of the brain is believed by the Company to be risky due to the potential disturbance of natural healing processes. By inhibiting the healthy hemisphere Nexstim's NBT System is facilitating and enhancing the natural healing process by lowering inhibition on the lesioned side. Research seems to suggest inhibiting the healthy side may be more effective, but further studies are required<sup>23</sup>.



After a stroke, the balance of the hemispheres is disrupted. The overactive inhibition from the non-lesioned side interferes when the patient tries to move the paralysed hand.



Repeated 1Hz inhibitory stimulation of the non-lesioned side normalises the balance. Navigation is required for the accurate targeting.

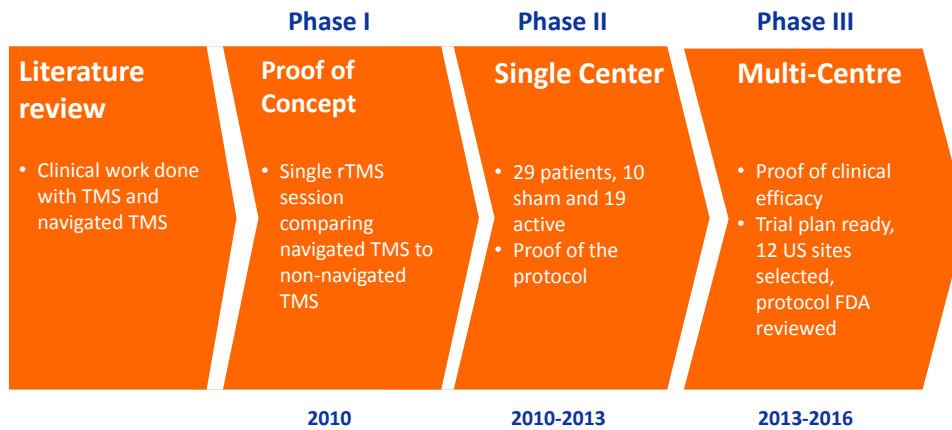
Non-navigated repetitive stimulation has been reported to have beneficial short-term effects on recovery of motor functions following a stroke. However, the studies have not been designed to demonstrate clinically relevant efficacy and only some of them combined rTMS with specific rehabilitation training. Importantly, all previous studies have been performed with investigational TMS devices without the aid of neuronavigation. Thus, therapy delivery has been performed "blindly" relying on observed motor responses. The device operator has not been able to confirm targeting of stimulation to a specific area in the brain corresponding to the motor cortex and, importantly, has not been able to keep the location of therapy delivery constant for a treatment lasting several minutes or between different treatment sessions. With Nexstim's NBT System and its navigation function treatment can be targeted accurately and repeatedly and the patient specific dosing can be ensured.

### *Stages of development*

Medical devices do not have general industry determined stages of development, unlike drugs for example. Nexstim has phased the development of the NBT System into the following three phases.

22 Khedr et al, European Journal of Neurology, 2009

23 Kakuda et al, PM&R (Physical Medicine and Rehabilitation), 2011



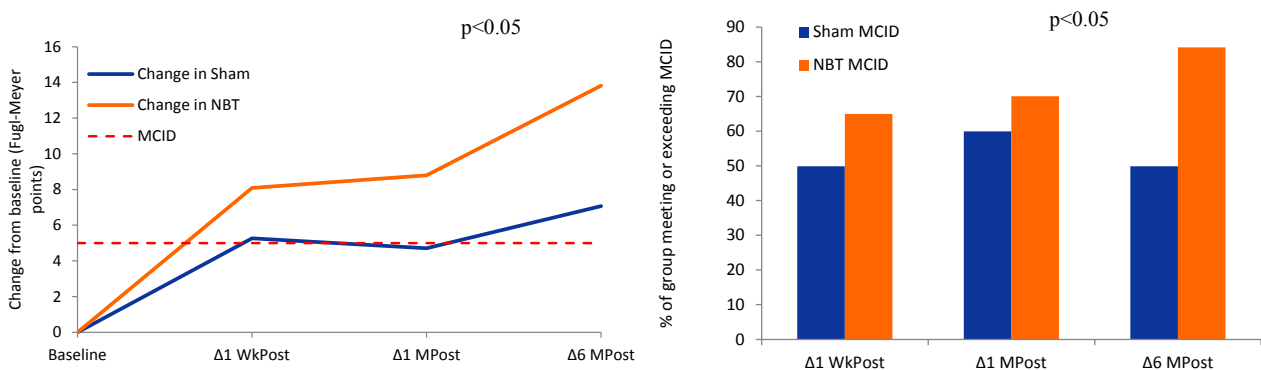
### Phase I trials

Nexstim performed its Phase I trials together with the Berenson-Allen Center for Neurostimulation (Beth Israel Deaconess Medical Center, Harvard Medical School, Boston, USA) to prove that navigated rTMS increases neurophysiological changes in the brain in comparison to non-navigated rTMS. In the trial 10 healthy subjects and 5 stroke patients were randomly given either navigated or non-navigated stimulation once a week alternating between weeks. Neurological responses were measured before and after stimulation and subjects were given simple motor function tests. Navigated stimulation was shown to increase responses.<sup>24</sup>

### Phase II trials

The Phase II trials for the NBT System were performed in 2010-2013 at the Rehabilitation Institute of Chicago (RIC), the number one ranked rehabilitation hospital in the US for 24 consecutive years<sup>25</sup>, by Dr Richard L Harvey who is considered to be one of the top experts in the field. Phase II trials were designed as a proof of protocol trial to prove the efficacy of the NBT System in improving hand and arm functionality in a single centre with a smaller group of patients. The trial was performed to establish efficacy of a clinical protocol for use in a subsequent multi-centre trial (Phase III).

The randomised and controlled clinical Phase II trial was conducted on 29 stroke patients with sub-acute stroke, of which 19 received NBT therapy (1Hz contralesional NBT-guided repetitive TMS) and 10 received sham treatment. The sham group went through the same experience but no magnetic stimulation was given. Treatment was given three times a week for six weeks and all patients received occupational therapy in conjunction with treatment, allowing for the comparison of NBT to conventional therapy. Final outcomes were measured at six months post treatment. No adverse side effects were perceived as a result of NBT treatment. The results of the clinical trial are presented in the tables below.



MCID = Minimal clinically important difference (5 points)

The clinical trials aimed to find a difference in the response to treatment between the active and sham group six months after the treatment period measured on the upper extremity Fugl-Meyer Scale. The response to treatment was measured as clinically important if the patient surpassed the 5 point threshold on the upper extremity Fugl-Meyer Scale. The upper extremity Fugl-Meyer Scale measures the functionality of hand and arm movement on a scale of 0-66, where 0 corresponds to no movement and 66 to full functionality. Out of the group receiving NBT treatment, 84% showed clinically important improvement with a per protocol absolute average improvement of 13.8 points (the average of the

<sup>24</sup> Bashir 2010 a and Bashir 2010b

<sup>25</sup> U.S. News & World Report

whole group was 13.2 points, but one of the patient was unable to give their six month measurement due to relocation). The sham group showed clinically important improvement in 50% of cases with an average absolute improvement of 7.1 points. As the trial was performed on a small sample of stroke patients, the effect of anomalies and outliers is magnified. In addition, as the patients were allowed to seek further occupation rehabilitation after treatment. For example, the additional treatment received by seven patients during the six month treatment period seemed to have an effect on results especially in the sham group. In past studies occupational therapy has resulted in improvements of around 3-4 points, compared to the sham group's mean improvement of 7.1, which may be explained by the additional treatment received by certain patients in the sham group.

A subgroup analysis of patients that did not receive additional therapy after the six week treatment period (9 patients in active group and 6 patients in sham group) showed that this sham group achieved similar results to normal occupational therapy. In this sham group 29% of patients were above the MCID threshold of 5 points and they had an absolute average improvement of 2.9 points. In this active group 80% had improvements above the MCID threshold with an average improvement of 14.5 points, which is slightly better than the full group. However, the subgroup analysis was not shown to be statistically significant, due to the smaller patient base.

Improvements in upper extremity movement and control in the whole NBT group was substantial. The magnitude of improvement that an absolute increase of 13.8 points on the Fugl-Meyer Scale represents, would equate to the difference between being able to hold an object and being able to button a shirt. Nexstim believes that this level of improvement could be the difference between requiring constant care and being able to live independently.

While the Phase II trial demonstrates promising results, a multi-centre trial with a larger sample is required for definite clinical proof.

### *Phase III multi-centre trial*

Nexstim has commenced a multi-centre Phase III trial in the spring of 2014 with a much larger patient population than in Phase II trial to demonstrate the effects of NBT System on upper limb motor rehabilitation. The two year trial is being conducted on up to 198 patients at 12 prominent US rehabilitation sites with the RIC as the central site. The primary objective of the trial is to demonstrate a clinically important difference between the active and sham group at six months post treatment. The rehabilitation centres participating in the trial are the following:

- Rehabilitation Institute of Chicago (central site)
- TIRR Memorial Hermann Hospital (Houston)
- Spaulding Rehabilitation Hospital (Boston)
- Ohio State University (Columbus, OH)
- Rancho Los Amigos National Rehabilitation Center
- Burke Rehabilitation Hospital (White Plains, NY)
- Duke University Medical Center (Durham, NC)
- Columbia Cornell New York Presbyterian Hospital
- Shepherd Center (Atlanta)
- University of Cincinnati
- Indiana University Indianapolis
- Mayo Clinic (Phoenix, AZ)

In addition to the final analysis, the trial protocol includes two earlier interim analyses at pre-defined milestones. An independent Data Safety Monitoring Board will analyse safety and efficacy at the pre-defined milestones. Based on the results, the trials can be concluded prematurely. Because the Phase III trial protocol has been reviewed by the FDA, the Company believes successful achievement of the primary objective at these milestones will lead to FDA clearance for the use of NBT in post-acute stroke rehabilitation in the US.

**Milestone 1:** Interim analysis after 81 patients have reached primary outcome assessment at six months post-treatment. Estimated time of reaching milestone Q3 2015.

**Milestone 2:** Interim analysis after 138 patients have reached primary outcome assessment. Estimated time of reaching milestone Q1 2016.

**Milestone 3:** Final analysis after 198 patients have reached primary outcome assessment. Estimated time of reaching milestone Q3 2016.

### *Regulatory clearance strategy*

The Company's strategy to receive FDA clearance for the NBT System is to receive the De Novo 510(k) sales and marketing clearance based on Phase III trial results. The Company will apply for an FDA clearance for the NBT System for intended use in the rehabilitation of post-acute stroke patients. The NBT System already has CE marking.

The Company intends to file a pre De Novo application with the FDA during 2014. Nexstim believes that the De Novo

510(k) process is a viable regulatory path in the US as the NBT System is based on technology utilised in the NBS System, which already has FDA clearance for use in pre-surgical mapping. Furthermore, as the FDA did not require the Company to file an Investigational Device Exemption (IDE) for the NBT System (having reviewed Phase III trial protocols), the Company believes that this indicates that the FDA would reclassify the NBT System as a Class II device. A De Novo 510(k) clearance would grant the Company accelerated access to stroke therapy markets compared to the normal Pre-Market Approval (PMA) process for Class III devices. If Nexstim's De Novo application is denied the Company must go through the more extensive PMA process, which will take an additional year to complete. See "*Market overview – Characteristics of the medical device market – US regulatory clearance process*" for more details.

#### *Pre-commercialisation plan*

The pre-commercialisation plan for the NBT System is built around the pivotal Phase III multi-centre clinical trial as it has been designed with commercialisation potential in mind. The Phase III clinical trial is being utilised to simultaneously deliver outcome data for the health economics model, the necessary data for FDA De Novo 510(k) clearance and KOL support through the use of the prominent US rehabilitation sites for the trial. Nexstim's health economics model will be based on the outcome data from the Phase III trial which aims to obtain reimbursement coverage for the use of the NBT System in post-acute stroke therapy.

#### *Future commercialisation*

The Company has prepared a plan for obtaining reimbursement coverage for the potential future commercialisation stage in the US. According to the Company's plan the reimbursement coverage for the NBT System would be based on a cycle between patients and physicians, healthcare providers and payers. The reimbursement strategy will depend on the demand among patients and doctors created by the outcome of the Phase III multi-centre trial. The Company's plan is based on the assumption that when the patients are willing to pay for the treatment themselves, the demand for the treatment grows, which in turn encourages the healthcare providers to buy NBT System to satisfy the demand. If the clinical efficacy of the treatment and the demand are sufficient the healthcare providers adopting the NBT System will then negotiate reimbursement for treatment with the payers. The plan further assumes that the payers will reimburse the treatment based on demand, clinical efficacy and health economic benefits of the treatment. The payers are initially considered to consist of private insurers followed by government payers such as Medicare as the reimbursement coverage expands. As more payers provide reimbursement coverage to their customers, the demand for NBT treatment can be expected to increase, and the cycle of demand and reimbursement coverage is reinforced as required by full commercialisation.

#### **Application of the NBS System in pre-surgical mapping**

Nexstim's NBS System has served as a proving ground for the navigational technology utilised in the NBT System for stroke therapy. It has also proved the safety of the technology platform to regulators through FDA clearance and CE marking. See "*Market overview – Characteristics of the medical device market – European regulatory approval*" for more details on CE marking.

The accuracy in the correct localisation of the primary motor cortex of Nexstim's noninvasive NBS System has been established in research and clinical use. The level of accuracy in the mapping of the motor cortex has been shown to be that of direct cortical stimulation (DCS), which is generally considered to be the gold standard in brain mapping.

#### *Functionality in diagnostics*

The NBS System is utilised in PSM for the mapping of motor and speech cortices prior to neurosurgery in the vicinity of these cortices. PSM is most often utilised prior to removal of brain tumours, but can also be performed in conjunction with intractable epilepsy and arteriovenous malformation surgeries.

**Motor mapping.** With proven accuracy NBS System's motor mapping provides a safe and noninvasive alternative to only mapping during surgery with direct cortical stimulation. NBS System's motor mapping utilises activation and response measurement to map motor cortices onto a 3D model of the patient's brain, allowing neurosurgeons to plan the operable area more accurately before a risky operation in the vicinity of the motor cortex. See "*Navigation process - 3D-modelling*".

The clinical benefit of NBS motor mapping has been proven in multiple peer reviewed articles. Charité Berlin and TU Munchen published investigator initiated trial results in 2014 relating to the benefits of NBS in brain tumour patients. The studies compared a total of 350 NBS mapped patients with a control group of 215 patients, which were only mapped during surgery using DCS. Charité Berlin's study showed an increase in total resections from 42% to 59% in the NBS patients, expanded surgical indication by 14.8 %, disproved suspected involvement of the primary motor cortex in 25.1 % of cases and increased progression free time by 45 % from 15.4 to 22.4 months amongst other benefits<sup>26</sup>. The TU

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26 Frey, Dietmar, et al. "Navigated transcranial magnetic stimulation improves the treatment outcome in patients with brain tumors in motor eloquent locations." *Neuro-oncology* (2014): noul10.

München study showed improvements in total resections from 58 % to 78 % amongst other benefits<sup>27</sup>.

Nexstim holds both CE marking and FDA clearance for NBS System in motor mapping prior to surgery.

**Speech mapping.** Currently the reliable mapping of speech cortices is limited to direct cortical stimulation (DCS) as is the case with motor mapping. DCS speech mapping requires the patient to be awake during the invasive procedure collaborating with the surgeon on pictures shown to the patient while electric stimulation is applied to the brain making it an unpleasant, stressful and very difficult procedure. Therefore DCS speech mapping is performed only in few locations. Nexstim's NBS System and its NexSpeech module allow for noninvasive mapping in a safe and pleasant manner. This mapping is performed prior to the surgery and the received data facilitates a better planning of a brain surgery which can then be targeted on a smaller area of the brain. Mapping by utilising the NexSpeech module lowers the threshold for speech mapping and diminishes the extent of mapping during surgery as the location of the speech cortices is already known. The ease of use and noninvasiveness of the NBS System also provide for wider usage of speech mapping, however if NexSpeech speech mapping leads to an operation the results must be verified during surgery using DCS.

In a blinded trial performed by KOLs comparing NexSpeech and DCS<sup>28</sup>, speech mapping utilising the NexSpeech module was successful in all cases, allowing the neurosurgeons to identify cortical areas that did not contain speech function.

Nexstim's NBS System for speech mapping is currently the only noninvasive speech mapping technology with CE marking and FDA clearance.

#### *Pre-commercialisation strategy*

One purpose of the NBS System was to provide clinical evidence of accuracy in navigation and regulatory precedents of safety for stroke therapy application. However, investigator initiated and sponsored clinical trials presented an opportunity for early stage commercialisation. The noninvasive accuracy of the motor and speech mapping functions raised interest among KOLs and researchers, as the need for a viable noninvasive alternative to DCS was still unmet. The Company was therefore able to begin commercialising the NBS System with minimal costs.

The NBS System is currently in the pre-commercialisation stage with outcome data for the health economics model currently being finalised in the various investigator initiated trials. See below "*Health economics model*". The Company is also pursuing additional KOL support by targeting sales to carefully selected top tier German and US hospitals and aiding these hospitals in their negotiations with payers to receive reimbursement coverage. To facilitate negotiations between hospitals and payers Nexstim has contracted reimbursement specialist to provide consultant services to the hospitals. Reimbursement codes for pre-surgical mapping made with the NBS System already exist in the US in the form of a CPT III code, i.e. emerging technology code. Reimbursement code also exists in Germany (*Operationen- und Prozedurenschlüssel, OPS*). Currently no reimbursement coverage has been applied to the reimbursement codes utilised by the NBS System. For further information on the reimbursement see "*Industry overview - Characteristics of the medical device markets*".

#### *Health economics model*

An overview of the health economics model is described in the "*Industry overview - Characteristics of the medical device market - Health economics model*".

Nexstim's health economics model for the NBS System is being built on investigator initiated clinical trial outcome data. The trials aim to demonstrate how the improved clinical results affect the hospital profits. The hospitals mainly benefit from the NBS System by way of improved treatment results and more efficient surgical operations. Recently released outcome data shows the use of NBS System prior to brain tumour surgery can have a direct effect on the planned procedure and lead to greater total resections. The use of NBS System may further facilitate brain surgeries that would not otherwise be performed and lead to longer progression free survival. Improving the quality of operations can lead to increased patient in-flow, which can result in increased revenue for the hospital. The results from the NBS System can also turn some biopsies into surgeries which have a higher procedural reimbursement as the brain tumours suspected to lie in or near motor cortices can be mapped and operated instead of biopsied. Biopsies are generally performed to test the aggressiveness of the tumour when surgical removal is considered too risky (due to suspected proximity to the motor cortex). Recent outcome data proves that NBS System is able to disprove proximity of brain tumours to the motor cortex, allowing for safe and rapid surgical removal of the tumour instead of biopsy to assess the need for surgery.

According to Nexstim, the introduction of the NBS System to existing clinical workflows will also reduce the time and cost of neurosurgeries, meaning hospitals are able to make higher margins on brain surgeries as reimbursement coverage for these procedures is fixed. NBS System can also lower post-surgical costs for hospitals by lowering the incidence of post-operative neurological deficits.

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27 Krieg, Sandro M., et al. "Preoperative motor mapping by navigated transcranial magnetic brain stimulation improves outcome for motor eloquent lesions." *Neuro-oncology* (2014): nou007.

28 Vajkoczy, et al. Utility of Navigated Brain Stimulation in preoperative mapping of essential speech areas. 2012

## **Corporate structure**

Nexstim has two wholly owned and operative subsidiaries. Nexstim Inc. has been established under Delaware state laws in the US in 2008 and its office is located in Alpharetta, Georgia. Nexstim Germany GmbH has been 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.

Further, the Company owns 1.75 % of the shares in SalWe Ltd, a strategic centre for science, technology and innovation in health and well-being, established to distribute Tekes funding among the shareholders of SalWe Ltd.

## **Organisation and employees**

Nexstim's strategy is to recruit only employees that the Company believes have core competence and know how in order to support the Company operating efficiently. 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, including after sales, service and Quality and Regulatory Affairs;
- Sales & Marketing;
- Administration, including Finance and Legal Affairs support functions.

As at the date of this Prospectus Nexstim employs 34 full-time employees (FTEs). The allocation of the employees between the group companies is presented in the following.

Nexstim Plc employs 24 FTEs and one part time employee. During the financial year 2013 Nexstim Plc employed on average 33 FTEs and during the financial year 2012 39 FTEs.

In Finland the Operations function has three employees, R&D has 12 employees, Sales & Marketing has one employee, Administration has five employees and Clinical function has three employees. In addition Nexstim Plc has one part time trainees in R&D.

Nexstim Inc. employs nine FTEs and one part time employee. Nexstim Inc. employed the average of four FTEs during the financial year 2012 and the average of six FTEs during the financial year 2013. In the US the Operations function has one employee, Sales & Marketing has six employees, Administration has one employee and Clinical function has two employees.

Nexstim Germany GmbH employs one FTE. Nexstim Germany GmbH employed the average of two FTEs during the financial year 2012 and the average of one FTE during the financial year 2013. In Germany the Sales & Marketing function has one employee.

## **Research and development**

Nexstim has its own research and development organisation in its headquarters in Helsinki, Finland. The R&D organisation currently has 12 FTEs organised in the mechanical, electrical, software, testing and documentation units. The Company also outsources parts of its R&D efforts mainly to Finnish subcontractors from time to time. More detailed financial information about the R&D expenditures can be found on section "*Operating and financial review and prospects – Investments*".

## **Quality management system**

In its operations Nexstim uses a full quality assurance system in accordance with MD Directive. Nexstim's quality management system has certificates in accordance with both ISO 9001 and ISO 13485 standards (medical devices), which can be utilised in connection with the full quality assurance system as harmonised standards. Nexstim's NBT and NBS Systems have CE marking and EC declarations of conformity within the EEA. See "*Industry overview – Characteristics of the medical device markets – European regulatory approval*".

The maintaining of permits and approvals of Nexstim's devices requires that the quality management system remains compliant with the requirements and is continuously developed. FDA and a notified body, in accordance with MD Directive, may audit and inspect the Company's premises and operations, in order to verify that the approved device and documentation related thereto are adequate and comply with potential permit conditions and the requirements of the quality management system. By active maintain and development of its quality management system Nexstim aims to ensure the validity of the permits and approvals obtained for its devices.

## **Intellectual property**

Nexstim seeks to protect its technology and innovations by obtaining appropriate intellectual property protection and

maintaining and enforcing its existing key intellectual property rights. Nexstim relies on patent-, utility model- and trade mark- and copyright-laws, trade secrets and confidentiality agreements to protect its products, proprietary technology and know-how.

In its immaterial property rights strategy the Company aims to ensure that it has the freedom to operate on its target markets also in the future. The objective of patent protection is to create hurdles for competitors and protect the commercialisation of its devices through patent protection by way of, for instance, seeking patent protection on different parts of the products and making it more difficult for potential competitors to create competing products. The core algorithms the Company protects as trade secrets in order to avoid publicity.

Nexstim believes that its intellectual property is of great value and importance to the Company and its business. Nexstim also believes that its business, financial condition and results of operations are not dependent on any single patent or utility model.

#### *Patents and utility model*

Nexstim has a patent and utility model portfolio covering patents, patent applications and a utility model concerning both the NBT and NBS Systems. As at the date of this Prospectus, the portfolio includes 25 patent families (each patent family is a single invention that may be filed in separate countries) and one utility model. The patent families and the utility model are described in Appendix A. The Company has in total 60 patents and 67 pending patent applications. Most of these patent applications relate to the NBT System.

The geographical area of the patents focuses in particular on the US, Europe and Asia. In addition, Nexstim has patent registrations and patent filings in Japan, China, Brazil, Korea and Canada. Protection through existing patents and applications has been sought in key territories through the following filing groups:

- Standard: Finland, Germany, UK, France, Italy, US, Japan, China;
- Strategic Growth: Brazil, India, Korea, Australia;
- Case-by-case: Russia, Spain, Denmark, Belgium, Netherlands, Taiwan.

Nexstim's patents are predominantly derived from employee inventions. One of the patent families in Nexstim's patent portfolio is co-owned with a third party. In addition to Nexstim's patents and utility models portfolio, Nexstim also relies on copyrights, trade secrets, know-how, development of new products, and technological development in combination with nondisclosure agreements and similar agreements.

#### *Software*

Nexstim owns rights to its NBT and NBS Systems' software developed by it. In addition, Nexstim uses subcontractors for software development purposes. Nexstim sells and grants appropriate licenses for its products' software in connection with a product purchase. Nexstim uses open source software (OSS) in connection with the product development. Nexstim is aware of the applicable OSS license requirements of which it has taken into due consideration in its own license terms. Nexstim has used the open source codes only in a manner in which there is no obligation to distribute such source codes to third parties.

#### *Trademarks and domain names*

Nexstim owns registered trademarks for the word marks "NEXSPEECH", "NBT" and "NEXSTIM" in the US and Europe. Nexstim's application for an international word mark for "NEXSPEECH" is pending as at the date of this Prospectus. Altogether the Company has 21 granted trade marks and 4 trademarks pending.

Nexstim has, among other names, the following domain names: nexstim.com, nexstim.fi, nexstim.de, navigatedbrainstimulation.com, navigatedbraintherapy.com and neurosurgerystartshere.com.

### **Material agreements**

#### *Agreement with the Certified Adviser*

For further information on the agreement made with the Certified Adviser see "*Agreements Relating to the Management of the Offering – Agreement with the Certified Adviser*".

#### *Financing agreements*

As at the date of this Prospectus the Company has outstanding capital loans granted by Tekes and certain of the Company's shareholders. The Company also has development loans from Tekes. Further, in 2013 certain shareholders granted the Company a capital loan that has been converted into equity in the Company in September 2014. For further information on these financing arrangements see "*Operating and financial review and prospects – Financing and liquidity – Capital loans from shareholders*".



**Leased premises**

The Company does not own real property or real estates. In Finland Nexstim operates in leased premises in Vallila Helsinki, in the address Elimäenkatu 9 B, 00510 Helsinki (approximately 890 square metres). The lease agreement has six months' notice period. In the US Nexstim operates in leased premises in Alpharetta, Georgia in the address Building #5, Suite B at 400 Overlook Business Park, 1360 Union Hill Road, Alpharetta, Georgia 30004 (approximately 197 square metres). The fixed term lease agreement ends on 31 March 2015, unless terminated earlier. In Germany, the Company has no leased premises.

**Insurance**

Nexstim's management believes that Nexstim and its subsidiaries maintain insurance coverage that reflects the requirements and the size of the parent company, business areas and subsidiaries concerned.

Nexstim maintains various types of insurance, such as liability insurances, management liability insurances, product liability insurances, travel insurances, employee group life insurance and personnel medical expenses insurance.

In addition, Nexstim maintains various local insurance policies that are mandatory at the local level, such as statutory accident insurance in Finland and healthcare plans and insurances in US and Germany for its employees as is customary in those jurisdictions.

**Legal proceedings**

Company has no pending governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which Company is aware) which may have, or have had in the past 12 months, a significant effect on the financial position or profitability of Company, as a whole.

## COMPANY, SHARES AND SHARE CAPITAL

### General corporate information

The business name of the Company is Nexstim Plc. The Company is a public limited company incorporated on 15 May 2000 in Finland, and it is organised under the laws of Finland. The Company is registered in the Finnish Trade Register under the business identity number 1628881-1. The registered address of the Company is Elimäenkatu 9 B 00510 Helsinki, Finland and its telephone number is +358 (0)9 272 7170. The Company is headquartered in Helsinki, Finland.

According to article 2 of its articles of association, the line of business of Nexstim is the development, production and sales of appliances for medical examinations, treatment, therapy and diagnostics as well as accessories and software relating thereto. The Company may offer services relating to its line of business, and may also carry out research and development activities as well as licensing activities relating to its line of business. The Company may also engage in the holding and trade of real property and securities. The Company may conduct its business directly on its own or through subsidiaries or associated companies.

### Shares and share capital

As at the date of this Prospectus, the fully paid-up share capital of Nexstim amounts to EUR 80,000.00, consisting of 4,722,419 Shares. The Shares have no nominal value. Nexstim has one series of shares, which have an ISIN code of FI4000102678. As at the date of this Prospectus, Nexstim does not hold any treasury shares. The Shares have been entered into the book-entry securities system of Euroclear Finland on 9 October 2014. Each Share entitles its holder to one vote at the general meetings of shareholders of Nexstim. The Shares are issued under Finnish law.

### Listing of Shares

The Company intends to make an application to the Helsinki Stock Exchange to be processed at the Helsinki Stock Exchange and the Stockholm Stock Exchange to list:

- a) on First North Finland (i) the Offer Shares subscribed for in the Finnish Retail Offering, (ii) the Offer Shares subscribed for in the Institutional Offering and delivered through Euroclear Finland, and (iii) all other Shares of the Company that are not applied for listing on First North Sweden; and
- b) on First North Sweden (i) the Offer Shares subscribed for in the Swedish Retail Offering and (ii) the Offer Shares subscribed for in the Institutional Offering and delivered through Euroclear Sweden.

The trading symbol on First North Finland is expected to be NXTMH, and on First North Sweden, NXTMS. The Company expects trading to commence on First North Finland and on First North Sweden on or about 6 November 2014. The Company will apply for the primary listing to be on First North Finland and for the secondary listing to be on First North Sweden.

### Development of share capital

In the following chart is set out an overview of the changes in Nexstim's share capital and the number of shares during the two years preceding the date of this Prospectus.

Event	Number of Shares issued	Total number of Shares after the event	Subscription price per Share (EUR)	Share capital after the event (EUR)	Reserve of invested non-restricted equity after the event (EUR)	Date
Conversion of the capital loan into shares 29 September 2014	333,587	4,722,419	9.02	80,000	3,009,383.61	3 October 2014
Share split 29 September 2014	4,075,344	4,388,832	0.00	80,000	3,009,383.61	3 October 2014
Merging of the share classes 29 September 2014	–	–	–	80,000	3,009,383.61	3 October 2014
Reduction of the share capital 29 September 2014	–	–	–	80,000	3,009,383.61	3 October 2014
Targeted share issue I 27 May 2014*	444,780	4,388,832	2.65	33,871,455.32	86,97	13 August 2014
Targeted share issue II 27 May 2014*	238,350	3,944,052	2.65	32,691,517.50	86,97	13 August 2014
Targeted share issue III 27 May 2014*	20,412	3,705,702	3.32	32,059,209.00	86,97	13 August 2014
Share issue 21 January 2014*	496,286	3,685,290	3.32	31,991,528.64	86,97	16 July 2014
Share issue 9 October 2013*	535,430	3,189,004	3.32	30,345,985.62	86,97	5 February 2014

\* The number of Shares and subscription price have been adjusted to take account the effect of the merging of the share classes and share split on 29 September 2014, where the number of Shares was increased 14-fold.

*Conversion of the capital loan into shares 29 September 2014.* On 29 September 2014, the shareholders of the Company made a resolution to issue a maximum of 333,587 Shares of the Company to certain shareholders of the Company in a targeted share issue. In the targeted share issue, the subscription price of the shares was settled by deducting the subscription price of the shares from the capital loan due to the shareholders subscribing the shares. The subscription price per share was approximately EUR 9.02.

*Share split 29 September 2014.* On 29 September 2014, the shareholders of the Company made a unanimous resolution on an untargeted share issue free of charge, where each existing share entitled without consideration to 13 new Shares of the Company (share split).

*Merging of the share classes 29 September 2014.* On 29 September 2014, the shareholders of the Company made a unanimous resolution to amend the Company's articles of association by removing the clause defining that the Shares of the Company were divided in seven different share classes. The amendment in the Company's articles of association was registered on 3 October 2014, and since then the Company has only one share class, where all the Shares of the Company belong.

*Reduction of the share capital 29 September 2014.* On 29 September 2014, the shareholders of the Company made a unanimous resolution to reduce the share capital of the Company by EUR 33,791,455.30 and share premium reserve by EUR 63,230.00 to cover previous losses.

*Targeted share issues 27 May 2014.* Based on an authorisation given by a unanimous resolution of the shareholders made on 9 October 2013, the board of directors resolved on three separate share issues. Firstly, the board resolved to increase the share capital by a maximum of EUR 1,999,989 by issuing a maximum of 53,850 new E shares (split adjusted number: 753,900) to certain shareholders of the Company. A total of 31,770 E shares (split adjusted number: 444,780) were subscribed for with a subscription price of EUR 37.14 per share (split adjusted subscription price: EUR 2.65). Secondly, the board of directors resolved to issue a maximum of 40,387 new E shares (split adjusted number: 565,418) to certain shareholders of the Company and thereby increase the share capital by a maximum of EUR 1,499,973.18. A total of 17,025 E shares (split adjusted number: 238,350) were subscribed for with a subscription price of EUR 37.14 per share (split adjusted subscription price: EUR 2.65). Thirdly, the board of directors resolved to issue a maximum of 1,458 new E shares (split adjusted number: 20,412) to one of the shareholders with a subscription price of EUR 46.42 per share (split adjusted subscription price: EUR 3.32). All of the 1,458 E shares were subscribed for. All of the subscription prices were recorded in full in the share capital of the Company.

*Share issue 21 January 2014.* Based on an authorisation given by an unanimous resolution of the shareholders made on 9 October 2013 the board of directors resolved to increase the share capital by a maximum of EUR 2,999,985.34 by issuing up to 64,627 new E shares (split adjusted number: 904,778) and offer them for subscription by the shareholders of the Company pro rata to their current shareholding. A total of 35,449 shares (split adjusted number: 496,286) were subscribed for. The subscription price was EUR 46.42 per share (split adjusted subscription price: EUR 3.32) and it was recorded in full in the share capital of the Company.

*Share issue 9 October 2013.* The shareholders unanimously resolved to increase the share capital by a maximum of EUR 2,999,985.34 by issuing up to 64,627 new E shares (split adjusted number: 904,778) and offer them for subscription by the shareholders of the Company pro rata to their current shareholding. A total of 38,245 shares (split adjusted number: 535,430) were subscribed for. The subscription price was EUR 46.42 per share (split adjusted number: EUR 3.32) and it was recorded in full in the share capital of the Company.

The actual subscription prices payable in cash in share issues in which shareholders that are Company's related parties

have participated within the past year have varied from the Indicative Price Range of EUR 8.70–9.80 in the Offering. In the targeted share issues I and II of 27 May 2014 the subscription price was EUR 2.65 and in the targeted share issue, III of 27 May 2014 and the share issues on 21 January 2014 and on 9 October 2013 the subscription price was EUR 3.32.

### **Authorisations to the board of directors to issue Shares**

On 29 September 2014, the shareholders of Nexstim unanimously resolved to authorise the board of directors to decide on the issuance of up to 10,000,000 new Shares or Shares held by the Company. The authorisation is valid until 30 June 2015. The board of directors is authorised to resolve on all terms and conditions of such offering.

### **Stock options**

The Company has issued stock options referred to in Chapter 10, Section 1 of the Finnish Companies Act, which entitle their holders to the subscription of Nexstim's shares.

Based on Option Plan 2010A, Option Plan 2011A and Option Plan 2013A, there are currently 786,940 options outstanding in the Company which entitle to subscribe for an aggregate of 786,940 Shares in the Company at a subscription price of EUR 0.01 per Share. Approximately 50 % of the total number of options outstanding has vested and approximately 50 % will vest at the end of 2016, with certain exceptions, assuming that the FN Listing is completed and the employment or service agreements of the option holders with the Company remain in force until then.

Holdings of stock options by the management and other key personnel are presented under "*Management and other key personnel – Holdings of the Company's board of directors and management team*".

#### *Option Plan 2010A*

The shareholders of the Company unanimously resolved on 30 March 2010 on the implementation of Option Plan 2010A. The shareholders authorised the board of directors to decide on the terms and allocation of the stock option rights. According to a resolution made by the board of directors on 18 June 2010 the stock options were offered to the personnel and the management of the Company, not taking into account the shareholder's pre-emptive rights, since the stock options were issued as a part of an equity based incentive program of the personnel and management of the Company and its subsidiaries. The aim of the incentive program was to encourage the personnel and management to a long term work relationship with the Company in order to enhance the equity value and to commit the personnel and the management to the Company. Therefore, it was considered that weighty financial reasons for the derogation to the shareholders' pre-emptive rights exist.

The rights of the option holders to subscribe to Shares pursuant to Option Plan 2010A is determined by vesting plans between the Company and the option holders.

Pursuant to Option Plan 2010A, as amended by a unanimous shareholder decision on 29 September 2014, each stock option entitles the option holder to subscribe for one new Share issued by the Company. The subscription price, EUR 0.01 per share, shall be recorded in full to the reserve for invested unrestricted equity of the Company. The exercise period of the stock options began on 19 June 2010 and ends on 31 December 2016. A total of 44,898 stock options under Option Plan 2010A entitling to the subscription of up to 44,898 Shares are currently held by three key persons. The stock options were issued free of charge. No further option rights may be issued under Option Plan 2010A.

#### *Option Plan 2011A*

The annual general meeting decided on 30 March 2011 on the implementation of Option Plan 2011A. The annual general meeting authorised the board of directors to decide on the terms and allocation of the stock option rights. According to a resolution made by the board of directors on 1 September 2011, the stock options were offered to the personnel and the management of the Company, not taking into account the shareholder's pre-emptive rights, since the stock options were issued as a part of an equity based incentive program of the personnel and management of the Company and its subsidiaries. The aim of the incentive program was to encourage the personnel and management to a long term working relationship with the Company in order to enhance the equity value and to commit the personnel and the management to the Company. Therefore, it was considered that weighty financial reasons for the derogation to the shareholders' pre-emptive rights exist.

The right of the option holders to subscribe to Shares pursuant to Option Plan 2011A is determined by vesting plans between the Company and the option holders.

Pursuant to Option Plan 2011A, as amended by a unanimous shareholder decision on 29 September 2014, each stock option entitles the option holder to subscribe for one new share issued by the Company. The subscription price, EUR 0.01 per share, shall be recorded in full to the reserve for invested unrestricted equity of the Company. The exercise period of the stock options began on 19 April 2011 and ends on 31 December 2016. A total of 70,364 stock options under Option Plan 2011A entitling to the subscription of up to 70,364 Shares are currently held by the Company's former CEO. The stock options were issued free of charge. No further option rights may be issued under Option Plan 2011A.

#### *Option Plan 2013A*

The shareholders of the Company unanimously decided on 9 October 2013 on the implementation of Option Plan 2013A

and authorised the board of directors to decide on the terms and allocation of the stock option rights. According to a resolution made by the board of directors on 27 November 2013, stock options were offered to the personnel and the management of the Company, and according to a unanimous shareholder resolution on 29 September 2014 to members of the board of directors of the Company, not taking into account the shareholder's pre-emptive rights, since the stock options were issued as a part of an equity based incentive program of the personnel and management of the Company and its subsidiaries. The aim of the incentive program was to encourage the personnel and management to a long term working relationship with the Company in order to enhance the equity value and to commit the personnel and the management to the Company. Therefore, it was considered that weighty financial reasons for the derogation to the shareholders' pre-emptive rights exist. The stock options were issued free of charge.

The right of the option holders to subscribe to Shares pursuant to Option Plan 2013A is determined by vesting plans between the Company and the option holders.

Pursuant to Option Plan 2013A, as amended by a unanimous shareholder decision on 29 September 2014, each stock option entitles the option holder to subscribe for one new Share issued by the Company. The subscription price, EUR 0.01 per share, shall be recorded in full to the reserve for invested unrestricted equity of the Company. The exercise period of the stock options began on 1 December 2013 and ends on 31 December 2020. A total of 671,678 stock options under Option Plan 2013A entitling to the subscription of up to 671,678 Shares. The option rights were granted free of charge. Shares are currently held by eleven key persons. No further option rights may be issued under Option Plan 2013A.

#### *Standstill arrangement regarding stock options*

The Company and the holders of stock options have agreed that the stock option holders shall not exercise their rights to subscribe for Shares in the Company under the option plans until six months have passed from the first day of trading of the Shares on First North Finland or First North Sweden. In addition, it has been agreed that, should any of Janne Huhtala, Gustaf Järnefelt, Rainer Harjunpää, Jarmo Laine, Henri Hannula, Petriina Puolakka, John Hardin, Mikko Karvinen, Timothy Irish, Kenneth Charhut or Olli Riikkala exercise any right to subscribe for Shares in the Company based on the option plans following the said six month period, such persons shall not transfer any Shares so subscribed for by them on the same terms as in the lock-up agreements. See "*Lock-up arrangements*".

#### **Dividends and dividend policy**

Under the provisions of Finnish Companies Act, the amount of any dividend that Nexstim will be permitted to distribute is limited to the amount of distributable funds shown in its latest audited financial statements adopted by the general meeting of the shareholders, provided that the distribution does not endanger the Company's financial standing. The general meeting of shareholder resolves on the distribution of dividends in accordance with the proposal for distribution of dividend made by the board of directors. In accordance with the prevailing practice in Finland, dividends on shares in a Finnish limited liability company, if any, are generally declared once a year.

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. Further, the Company has reduced its share capital for loss coverage on 29 September 2014. Therefore, pursuant to the Finnish Companies Act, all distributions of unrestricted equity to the shareholders by the Company are subject to a public summons to the creditors until 3 October 2017.

In the event dividends are distributed, all Shares entitle to equal dividends.

## MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### Major shareholders

As at the date of this Prospectus, the Company has 22 shareholders, and the following table sets forth the ownership of the eight major shareholders. The Company has one series of shares. Each Share entitles to one vote in the general meeting of the Company.

Shareholder	Number of Shares	Ownership*
HealthCap V, L.P.**	1,673,092	35.43 %
The Finnish Innovation Fund Sitra	1,281,087	27.13 %
Capricorn Health-Tech Fund NV	508,472	10.77 %
LSP III Omni Investment Coöperatief U.A.	414,462	8.78 %
Lundbeckfond Ventures	255,738	5.42 %
Ilmarinen Mutual Pension Insurance Company	213,108	4.51 %
Finnish Industry Investment Ltd	163,212	3.46 %
Risto Ilmoniemi	75,111	1.59 %
Other shareholders	138,137	2.93 %
<b>In total</b>	<b>4,722,419</b>	<b>100 %</b>

\*Proportion calculated on the total number of the Shares issued as at the date of this Prospectus excluding the dilution of the ownership caused by the issued and outstanding options.

\*\* HealthCap V, L.P.'s holds the Shares directly and through its controlled entity OFP V Advisor AB.

The holdings of the members of the board of directors and management have been presented in section "*Management and Other Key Personnel – Holdings of the Company's board of directors and management team*".

To the extent known to the Company, the Company is not directly or indirectly owned or controlled by any shareholder. The Company is neither aware of any arrangement the operation of which may result in a change in control of the Company.

The Certified Adviser of the Company or its employees do not own Shares in the Company.

### Dilution

As at the date of this Prospectus the Company has issued 4,722,419 Shares.

As at the date of this Prospectus, an aggregate amount of up to 786,940 new Shares may be subscribed for under the stock option rights issued by the Company pursuant to existing option plans (see more detailed information on the option plans "*Company, shares and share capital – Stock options*"). Such new Shares represent approximately 14.3 % of Company's Shares and votes (including Shares subscribed for under the aforementioned stock option rights).

Following the completion of the Offering, the immediate dilution of the ownership of the Company for a shareholder holding Shares prior to the Offering and not subscribing for Shares in the Offering will be approximately 37.83% based on the issuance of 2,873,563 Offer Shares (i.e., assuming that the Offering is fully subscribed) and without taking into account the dilutive effect of the stock option rights. Such amount will increase to 41.17% if the Additional Share Allotment is exercised in full.

### Related party transactions

Nexstim's related parties include Nexstim's subsidiaries, the members of Nexstim's board of directors, the managing director, the members of Nexstim's management team and shareholders having significant influence over the Company. The Company's related parties further include close family members of such persons and entities in which such persons have a controlling interest.

Further information on the remuneration and benefits of the members of the board of directors and the management team is presented in the section "*Management and Other Key Personnel – Remuneration and benefits of board of directors and management*". Further information on the companies where the members of the board of directors and the management team have a controlling interest, is presented in the section "*Management and Other Key Personnel – Holdings of the Company's board of directors and management team*".

Pursuant to a consulting agreement between the Company and Kenneth Charhut, a member of the board of directors, Charhut has been paid a total of EUR 12.2 thousand as consultancy fees during the year 2014 until the date of the Prospectus and a total of EUR 22.7 thousand during the financial year ended 31 December 2013. No consultancy fees were paid to Kenneth Charhut during the financial year 2012.

Pursuant to a consulting arrangement between the Company and Timothy Irish, a member of the board of directors, Irish has been paid a total of EUR 10.0 thousand during the financial year ended 31 December 2013 and EUR 15.0 thousand during the financial year ended 31 December 2012. During the year 2014 a maximum of EUR 10.0 thousand may be paid as consultancy fees to Timothy Irish, however as at the date of this Prospectus no payments have been made during 2014.

HealthCap V, L.P., its controlled entity OFP V Advisor AB and The Finnish Technology Innovation Fund Sitra are among the shareholders subscribing for the capital loan issued by the Company on 2 September 2014. The capital loan was subscribed for and paid to the Company between 10 and 15 September 2014 and the subscription amounted to EUR 1,350.0 thousand in total. The principal loan amounts granted by the said shareholders are as follows: HealthCap V, L.P. and OFP V Advisor AB together EUR 700.0 thousand and The Finnish Technology Innovation Fund Sitra EUR 400.0 thousand. The principal amount of the loan is outstanding in full and the lenders have committed to set off the principal amount of the loan by setting off subscription payments for Offer Shares in the Offering. For further details see section "*Operating and financial review and prospects – Financing and liquidity – Capital loans from shareholders*".

HealthCap V, L.P., its controlled entity OFP V Advisor AB, The Finnish Technology Innovation Fund Sitra, Olli Riikkala, Henri Hannula and Petriina Puolakka were among the lenders granting a capital loan to the Company in 2013. The subscription price of the capital loan was EUR 1,003.1 thousand and the principal amount was EUR 3,009.3 thousand in total. The principal loan amounts granted by the said parties were as follows: HealthCap V, L.P. and OFP V Advisor AB together EUR 1,207.3 thousand, The Finnish Technology Innovation Fund Sitra EUR 900.0 thousand, Olli Riikkala EUR 41.7 thousand and Henri Hannula and Petriina Puolakka each EUR 5.5 thousand. The loan principal was converted into equity in the Company in September 2014 with a conversion rate of EUR 9.02 per Share. For further details see section "*Operating and financial review and prospects – Financing and liquidity – Capital loans from shareholders*".

## MANAGEMENT AND OTHER KEY PERSONNEL

### General information on the Company's administration

The Company adheres to the Finnish Companies Act and the Rules of First North in the organisation of its administration. The administration of the Company is, in accordance with the Finnish Companies Act, divided between the general meeting of shareholders, the board of directors and the managing director. The shareholders exercise rights belonging to them mainly in the general meeting of shareholders, which normally is convened by the board of directors of the company. The general meeting of shareholders shall, in addition, be held if the auditor or shareholders of the company, whose shares represent at least one tenth of all issued shares, which are not in the possession of the company, demand in writing the holding of the general meeting of shareholders.

### Board of directors and management team

#### *General information on the board of directors of the Company*

The board of directors of the Company sees to the administration of the Company and the appropriate organisation of its operations. The board of directors is responsible for the appropriate organisation of the control of the Company's accounts and finances. The board of directors or a member of it shall not comply with a decision made by the general meeting of shareholders or the board of directors where it is invalid owing to being contrary to the Finnish Companies Act or the articles of association. The board of directors is elected by the general meeting of shareholders.

Pursuant to section 3 of the articles of association of the Company, the Company shall have a board of directors with no fewer than three (3) and no more than nine (9) members. The term of office of each member of the board of directors ends at the adjournment of the first annual general meeting of shareholders following the election. The general meeting of shareholders elects the chairman of the board of directors. Pursuant to section 4 of the articles of association of the Company, the Company is represented by, the chairman of the board of directors, members the board of directors and the managing director, two of them acting jointly, or each such person acting together with the chairman of the board of directors, a member of the board of directors or the managing director. The board of directors resolves on granting representation rights and procuration rights. Such rights of procuration have been granted to Mikko Karvinen and Petriina Puolakka, who may represent the Company jointly based on this right.

The opinion of the majority of the members in attendance in the meeting shall constitute the decision of the board of directors. In the event of a tie the chairman shall have the casting vote. The chairman and deputy chairman of the board shall be elected by the annual general meeting of shareholders. The board of directors convenes approximately six times per year. Additionally, the board of directors convenes flexibly in accordance with the needs determined by the chairman of the board of directors due to the development stage of the Company.

The business address of the members of the board of directors and the managing director is Elimäenkatu 9 B, 00510 Helsinki.

As at the date of this Prospectus, the board of directors comprises the persons set out in the below table\*:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>	<b>Born</b>	<b>Nominated</b>
Casper Breum	Member	Denmark	1967	2011
Kenneth Charhut	Member	U.S.A.	1958	2013
Johan Christenson	Member	Sweden	1958	2007
Timothy Irish	Chairman	United Kingdom	1964	2012
René Kuijten	Member	Netherlands	1964	2007
Olli Riikkala	Deputy Chairman	Finland	1951	2007
Ekaterina Smirnyagina	Member	France	1966	2013
Juha Vapaavuori	Member	Finland	1952	2006

\* Some members of the board represent the largest shareholders. Members of the board representing the largest shareholders are as follows: Casper Breum – Lundbeckfond Ventures, Johan Christenson – HealthCap V, L.P., René Kuijten – LSP III Omni Investment Coöperatief U.A., Ekaterina Smirnyagina – Capricorn Health-Tech Fund NV, Juha Vapaavuori – The Finnish Innovation Fund Sitra.

#### *Presentation of the members of the board of directors*

Casper Breum has been a member of the board of directors of Nexstim since 2011. Breum is a partner of Lundbeckfond Ventures since 2011 and served prior to the partnership as investment director from 2009 to 2011. Prior to Lundbeckfond Ventures, Breum worked as a business development consultant for LFI A/S in 2009. Breum also served as chief executive officer at ilochip A/S from 2008 to 2009. Breum was employed by H. Lundbeck A/S as project manager and later as business development manager during 2001 to 2008. Prior to H. Lundbeck, Breum held different positions at Niels



Clauson-Kaas A/S from 1996 to 2001 and at Novo Nordisk A/S from 1993 to 1996. Breum is currently a board member of Asante Solutions Inc, Dysis Medical Ltd and Atox Bio Inc. Furthermore, Breum served as a member of the supervisory board of Lundbeckfonden and LFI A/S from 2006 to 2008. Breum holds a M.Sc. and an MBA from the Technical University of Denmark in 1993 and 2001 respectively.

*Kenneth Charhut* has been a member of the board of directors of Nexstim since 2013. Charhut is a board member of Reshape Medical and Foldax Inc, CEO and President of Compellon Inc, director of Folda LLC and independent board member of Avencina LLC and board member of NHS Investment Committee. Previously Charhut has been the CEO and President of MindFrame Inc and Orgis Medical, from 2010 to 2012 and from 2000 to 2009 respectively. Prior to Orqis, Charhut spent 16 years, from 1983 to 1999, in general management positions with Baxter Healthcare Corporation, including as President of the Bentley Division and President of New Business Initiatives for the Cardiovascular Surgery Division. Charhut also spent four years as Managing Director of Baxter Japan Cardiovascular Division, and was vice president of Automation Distribution Systems, where he developed Baxter's pharmacy automation business. Charhut also served as an independent director of Arges Medical and Micro Dexterity Systems, from 2010 to 2011 and from 2001 to 2009 respectively. Charhut has served on several industry councils, including as chairman of the American Chamber of Commerce in Japan, as a board member of the ABL Organization, OCTANe and the Southern California Biomedical Council. Charhut holds a B.Sc. in mechanical engineering from Cornell University in 1980 and an MBA from the University of Chicago in 1988.

*Johan Christenson* has been a member of the board of directors of Nexstim since 2007. In addition, Christenson serves as a board member on the following private company boards: Cerenis SA, Trimb AB, Oncopeptides AB, Oncos Therapeutics Oy, Ancilla AB and Benechill Inc. Christenson is also a partner of HealthCap. Prior to joining Odlander Fredrikson in 2001 Christenson was with SEB Företagsinvest (the venture capital arm of Svenska Enskilda Banken, SEB) to supervise the health care portfolio. Christenson has senior management experience from Astra Pain Control as Project director and AstraZeneca as Global Product Director and member of the global area management team of Pain & Inflammation. Christenson has served as a lecturer in neuroscience and is the author of 17 scientific articles. Christenson held also a position as assistant dean at the Karolinska Institute Graduate School for two years. Christenson completed a four-year clinical specialist training in paediatrics and paediatric neurology. Christenson received his medical training at the Karolinska Institute and graduated in 1991 as Ph.D. in neuroscience.

*Timothy Irish* has been the chairman of the board of directors of Nexstim since 2012. Irish is currently the chairman of the board of directors in Bioxydyn Ltd and Patech Solutions Ltd and a board member in Deltex Medical Group Plc. Irish was chief marketing and strategy officer at Royal Philips from 2004 to 2006 in the U.S.A. and the Netherlands. From 1991 to 2004 Irish was employed by General Electric, being general manager of the Medical Diagnostics division in the U.K from 2001 to 2004. Prior to General Electric, Irish worked at GlaxoSmithKline Plc from 1985 to 1991, being a senior product manager in the U.K. from 1990 to 1991. Irish holds several academic degrees; an M.Sc. in diplomacy and international strategy from London School of Economics and Political Science in 2013, an MA in politics, philosophy and economics from University College London in 2012, an M.Sc. in economics from Imperial College London in 2010, an MBA from Durham University in 1992 and a B.Sc. in biochemistry from Liverpool University in 1985.

*René Kuijten* has been a member of the board of directors of Nexstim since 2007. Kuijten is also general partner and co-owner of Life Sciences Partners, a global health care investment firm operating from Amsterdam, Munich and Boston. Kuijten has been a member of the board of several of Life Science Partners' portfolio companies and has been employed by the company since 2001. Prior to working at Life Science Partners Kuijten was employed by McKinsey & Company as senior engagement manager and leader of McKinsey's European Health Care and Pharmaceuticals Practice during 1992 to 2002. Furthermore, Kuijten is an advisory board member of Pivot Park, a member of Regiegroep Topsector Life Sciences & Health and a board member of the Dutch Venture Capital Association. Kuijten has broad academic experience; he was a WHO research fellow at the University of Pennsylvania from 1988 to 1992, where he completed Ph.D. research on risk factors for childhood brain tumours. Kuijten obtained his Ph.D. in medicine at the University of Amsterdam in 1992. Kuijten holds an MBA from INSEAD, which he obtained in 1994, an MD obtained in 1991 and a M.Sc. in medicine obtained in 1988, both from the University of Utrecht.

*Olli Riikkala* has been a member of the board of directors of Nexstim since 2007 and the deputy chairman of the board of directors since September 2014. Riikkala has held board positions in the following Finnish listed companies: board member of Tieto Oyj from 2007 to 2012, board member of Comptel Oyj from 2005 to 2012 and Oriola-KD Oyj from 2006 to 2013. Riikkala is also currently a member of several boards of directors of Finnish companies in the medical industry (see the table below). Riikkala holds a M.Sc. in engineering from the Helsinki University of Technology in 1974, a M.Sc. in economics from Helsinki School of Economics in 1976 and an MBA from Claremont Graduate University in 1978.

*Ekaterina Smirnyagina* has been a member of the board of directors of Nexstim since 2013. Smirnyagina has been a partner of Health-Tech Fund Venture Fund, Capricorn Venture Partners since 2012. In addition to representing Capricorn on the board of Company, Smirnyagina represents the venture capital firm on the board of iSTAR Medical SA. Previously Smirnyagina has been a partner of Alta Partners, a healthcare focused venture capital fund in San Francisco, from 2002 to 2012. Prior to Alta Partners, Smirnyagina worked in business development & finance at Genset S.A. from 2001 to 2002. Smirnyagina began her professional career at Mitchell Madison Group, a global management consultancy firm, where she worked as a manager. Furthermore, Smirnyagina was a postdoctoral fellow in microbiology &

immunology at Stanford University from 1996 to 1997. Smirnyagina holds a Ph.D. in cellular & molecular biology from the University of Wisconsin-Madison obtained in 1996 and a B.Sc. in biochemistry from Moscow State University in 1988.

*Juha Vapaavuori* has been a member of the board of directors of Nexstim since 2006. Vapaavuori is the chairman of the board of directors of Galilaeus Oy and KC-Holding 3 Oy and member of the board of FIT Biotech Oy and Vivoxid Oy. Vapaavuori also served as a board member of Pharmatory Oy from 2006 to 2010. Vapaavuori acts as a Senior Lead of the corporate finance at the Finnish Innovation Fund Sitra. Vapaavuori holds a M.A. from University of Helsinki in 1978.

## **CEO**

### *General information*

The CEO sees to the executive management of the company in accordance with the instructions and orders given by the board of directors. The CEO is responsible for the accounts of the company being in compliance with the law and that its financial affairs have been arranged in a reliable manner. The CEO shall supply the board of directors and its members with the information necessary for the performance of the duties of the board of directors.

The CEO may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorised by the board of directors or if it is not possible to wait for a decision of the board of directors without causing essential harm to the business operations of the company. In the latter case, the board of directors shall be notified of the measures as soon as possible.

### *Janne Huhtala, CEO*

Janne Huhtala has acted as the CEO of Nexstim since 2013 and been a member of the management team of Nexstim since 2008. Before this, Huhtala was the CFO of Nexstim since December 2008 and acted as a financial advisor to the Nexstim in a financing round in 2007. From 2004 to 2008 Huhtala was employed as manager by Gutta Oy, a provider of financial consulting services to mid-sized and large companies. At Gutta Oy Huhtala was responsible for the consulting business. Before Gutta Oy, Huhtala worked as CFO and CEO at Viola Systems Oy, a provider of wireless M2M network services, from 2002 to 2004. Prior to this Huhtala worked as an investment director at private equity and venture capital firm Fenno Management Oy from 1999 to 2002. Huhtala holds a master's degree in economics from Turku School of Economics, which he obtained in 2001.

## **Management team**

The management team members are all under the direct supervision of the CEO and the CEO acts as the leader of the management team. All of the management team members are employed by Nexstim apart from Johan Hardin who is employed by Nexstim Inc. The management team members have the budget and operational responsibility in their own departments. The management team convenes weekly.

The following table sets forth the members of the management team of the Company as at the date of this Prospectus:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>	<b>Born</b>	<b>Nominated</b>
Henri Hannula	Vice President, Sales Europe	Finland	1974	2007
John Hardin	Vice President, PSM Commercialisation	U.S.A.	1954	2014
Rainer Harjunpää	Vice President, Quality Assurance and Regulatory Affairs, After Sales and Services	Finland	1967	2010
Gustaf Järnefelt	Vice President, R&D	Finland	1961	2008
Mikko Karvinen	CFO	Finland	1976	2014
Jarmo Laine	Vice President, Medical Affairs	Finland	1965	2008
Petriina Puolakka	Vice President, Legal Affairs	Finland	1973	2007

*Henri Hannula* has been the Vice President, Sales Europe of Nexstim since 2013 and a member of the management team of Nexstim since 2007. Previously Hannula was director of sales between 2009 and 2013, marketing and sales manager between 2004 and 2009 and product development manager in control technology between 2001 and 2004 at the Company. Prior to joining the Company, Hannula worked at Forschungszentrum Karlsruhe GmbH in Germany as a product development engineer from 1999 to 2000 and as a mechanics designer in 1998. Hannula was employed by Tranolec Oy as a mechanics designer and installation technician in several periods during 1995 to 1998. Furthermore

Hannula has written several scientific articles published in medical journals. Hannula holds a M.Sc. in technology from Helsinki University of Technology in 2001.

*John Hardin* has been the Vice President of Global PSM Commercialisation of Nexstim since 2014 and a member of the management team of Nexstim since 2014. Prior to joining the Company, Hardin served as vice president, global sales and marketing of Mindframe Inc. between 2011 and 2012. Previously, Hardin worked for Ev3, Inc. as vice president of sales and global marketing at the neurovascular division from 2006 to 2010 and as regional manager at the peripheral division south central U.S. from 2004 to 2006. Furthermore Hardin was employed by Medtronic, Inc. during 1990 to 2004 and held a position as district manager from 1996 to 2004. Hardin holds a master of business administration from William Woods University in 1996.

*Rainer Harjunpää* has been the Vice President of quality assurance and regulatory affairs, after sales and services of Nexstim since 2013 and a member of the management team of Nexstim since 2010. Harjunpää was director of quality and regulatory affairs, operations of the Company between 2012 and 2013 and quality and regulatory affairs manager of the Company between 2010 and 2012. Prior to joining the Company, Harjunpää held several positions at GE Healthcare Finland Oy during 2000 to 2010 and served as program manager for the next generation anesthesia workstation from 2006 to 2010. In addition Harjunpää was employed by Instrumentarium Corp. in Finland and served as regulatory affairs engineer and later as regulatory affairs manager during 1993 to 2000. Harjunpää has been a deputy member from 2013 to 2014 and is currently a member of the board of directors of the Finnish Healthcare Technology Association. Harjunpää holds a M.Sc. in biomedical engineering from Tampere University of Technology in 1993.

*Gustaf Järnefelt* has been a member of the management team of Nexstim since 2008. Prior to this, Järnefelt was the R&D director of Nexstim from 2008. Järnefelt worked at GE Healthcare Finland Oy as a LSS site manager and engineering director between 2005 and 2008. Previously, Järnefelt held several managerial positions at Instrumentarium Corp., later known as GE Healthcare Finland Oy, during 1990 to 2005. Järnefelt holds a masters of science in Technology from Helsinki University of Technology in 1988.

*Mikko Karvinen* has been the CFO of Nexstim since 2014 and a member of the management team of Nexstim since 2014. Prior to joining Nexstim, Karvinen served as the CFO and deputy CEO of Innofactor Plc from 2012 to 2014. Karvinen was the CFO and deputy CEO of Tectia Oyj, later known as SSH Communications Security Oyj, between 2009 and 2012 and CFO of Automaster Oy between 2008 and 2009. Prior to Automaster, Karvinen was employed by Vaisala Oyj as a division controller from 2006 to 2008, as treasury manager from 2005 to 2006 and as financial analyst from 2001 to 2003. In addition Karvinen worked as a financial analyst at Vaisala Inc. in U.S.A. and OP Bank Grp Central Cooperative from 2003 to 2005 and 2000 to 2001 respectively. Karvinen holds a M.Sc. in economics from Helsinki School of Economics in 2001.

*Jarmo Laine* has been the Vice President, medical affairs of Nexstim since 2013 and a member of the management team of Nexstim since 2008. Laine was director of the clinical operations at Nexstim from 2008 to 2013. Laine has held several directorial positions at the Finnish Red Cross Blood Service (FRCBS) between 2002 and 2008. Prior to joining FRCBS, Laine has among others been a fellow in pediatric nephrology at HUCS/Hospital for Children and Adolescents in Helsinki in 2001 and a post-doctoral research fellow at Harvard Medical School in Boston from 1998 to 2001. Laine has published more than 60 publications in international journals in the fields of organ/cell transplantation, pediatric nephrology, and cell biology. Laine has also submitted several papers on clinical application of current employer's technology. Furthermore Laine has served as an expert consultant to the Parliament of Finland from 2010 to 2011 and in 2002 and to the Council of Europe from 2003 to 2004. Laine was a member of the European Blood Alliance working Group on tissues and cells from 2003 to 2004. Laine holds a MBA from Helsinki University of Technology in 2007 and obtained a degree of a Doctor of Medical Science from University of Helsinki in 1995.

*Petriina Puolakka* has been the vice president of legal affairs of Nexstim since 2013 and a member of the management team of Nexstim since 2007. Prior to this, Puolakka served as director of legal affairs and HR of Nexstim between 2010 and 2013 and as manager of administration and legal affairs of Nexstim between 2007 and 2010. In addition, Puolakka was employed by Nexstim as legal counsel from 2001 to 2007. Puolakka holds a master of laws degree from University of Lapland in 2001.

## **Board Committees**

The board of directors has established among the board members three permanent committees: an audit committee, a remuneration committee and a nomination committee. The committees report to the board of directors and they have confirmed working orders.

The audit committee comprises of three members of the board. The task of the audit committee is to prepare matters related to the financial control and reporting of the Company. As at the date of this Prospectus, the members of the audit committee are René Kuijten, Timothy Irish and Katya Smirnyagina. René Kuijten is the chairman of the committee. From the members of the audit committee, the Company's shareholders are represented by René Kuijten (LSP III Omni Investment Coöperatief U.A) and Ekaterina Smirnyagina (Capricorn HealthTech Fund NV).

The remuneration committee comprises of four members of the board. The task of the remuneration committee is to prepare matters related to the remuneration and nomination of the CEO and other management of the Company and the

incentive plans of other personnel of the Company. As at the date of this Prospectus, the members of the remuneration committee are Olli Riikkala, Juha Vapaavuori, Johan Christenson and Kenneth Charhut. Olli Riikkala is the chairman of the committee. From the members of the remuneration committee the shareholders of the Company are represented by Juha Vapaavuori (the Finnish Innovation Fund Sitra) and Johan Christenson (HealthCap V, L.P.).

The nomination committee comprises of four members of the board. The task of the nomination committee is to prepare matters related to the nomination and remuneration of the members of the board. As at the date of this Prospectus, the members of the nomination committee are Timothy Irish, Jos Peeters, Staffan Lindstrand and Sami Tuhkanen. From the members of the nomination committee, the shareholders of the Company are represented by Jos Peeters (Capricorn Health-Tech Fund NV), Staffan Lindstrand (HealthCap V, L.P.) and Sami Tuhkanen (the Finnish Innovation Fund Sitra).

## Directorships / Partnerships

The members of the board of directors and the management team of the Company have or have had during the last five years before the date of this Prospectus the following memberships in administrative, governing or supervisory bodies unrelated to the Company and/or been partners in the following partnerships:

<b>Name</b>	<b>Current memberships and partnerships</b>	<b>Previous memberships and partnerships</b>
<b>Members of the board of directors</b>		
Casper Breum	Asante Solutions Inc. Atox Bio Inc Dysis Medical Ltd. Lundbeckfond Ventures	-
Kenneth Charhut	Avencina LLC Compellon Inc Folda LLC Foldax Inc NHS Investment Committee Reshape Medical	MindFrame Inc. Orqis Medical
Johan Christenson	Ancilla AB Benechill Inc Cerenis SA HealthCap affiliated companies Oncopeptides AB Oncos Therapeutics Oy Trimb AB	Enebybergs Tennishall AB NeuroNova / Newron Sweden AB Orexo AB Resistentia Holding AB Wilson Therapeutics AB
Timothy Irish	Bioxydyn Ltd Computabound Ltd Deltex Medical Group PLC Patech Solutions Ltd Pembrokeshire Retreats Ltd	BMEYE BV FlexGen BV Mendor Oy NHS Local Health Board TTS-Pharma Ltd
René Kuijten	Life Sciences Partners	BMEYE BV Hybrigencis Kreatech Octoplus Syntaxin
Olli Riikkala	Biomedicum Docrates Oy Helvar Oy Ab Instrumentarium science foundation Machine Tool Center Oy MediXine Oy Mendor Oy Onbone Oy Optomeditech Oy Oy Proosa Ltd	Comptel Oyj Fastems Oy Ab Helvar Merca Oy AB HYKS-Instituutti Oy Oriola-KD Oyj PaloDex Group Oy Tieto Oyj
Ekaterina Smirnyagina	Adocia SA iSTAR Medical SA	Cerenis Therapeutics SA Innate Pharma SA Kiadis Pharma NV
Juha Vapaavuori	FIT Biotech Oy Galilaeus Oy KC-Holding 3 Oy	Pharmatory Oy Vivoxid Oy

<b>Name</b>	<b>Current memberships and partnerships</b>	<b>Previous memberships and partnerships</b>
<b>Members of the management team and the CEO</b>		
Henri Hannula	-	-
John Hardin	-	Acceleron LLC Cardioptimus LLC
Rainer Harjunpää	-	-
Janne Huhtala	Adaccio Oy	-
Gustaf Järnefelt	Tibeko Marine Oy	Instrumentarium Ab
Mikko Karvinen	-	Innofactor Plc Tectia Oyj (later known as SSH Communications Security Oyj)
Jarmo Laine	SalWe Oy	-
Petriina Puolakka	Firefighter Oy Millburn SIA	-

### Holdings of the Company's board of directors and management team

The below table sets out the holdings of Shares in the Company as well as rights entitling to Shares by the members of the board of directors and the management team of the Company as at the date of this Prospectus. The option plans have been further described under "*Company, Shares and share capital – Stock options*".

	<b>Shares</b>	<b>Options and maximum number of Shares that can be subscribed*</b>	<b>Option rights vested as at the date of this Prospectus</b>	<b>Proportion of votes (Shares)** (%)</b>	<b>Proportion of votes (Shares and options)*** (%)</b>
<b>Members of the board of directors</b>					
Casper Breum	-	-	-	-	-
Kenneth Charhut	-	51,632	51,632	-	0.94
Johan Christenson	-	-	-	-	-
Timothy Irish	-	51,632	51,632	-	0.94
René Kuijten	-	-	-	-	-
Olli Riikkala	21,760	38,724	38,724	0.36	1.01
Ekaterina Smirnyagina	-	-	-	-	-
Juha Vapaavuori	-	-	-	-	-
<b>Members of the management team and the CEO</b>					
Henri Hannula	4,114	24,780	6,874	0.07	0.57
John Hardin	-	30,968	-	-	0.56
Rainer Harjunpää	-	61,950	17,206	-	1.12
Janne Huhtala	-	247,828	68,838	-	4.50
Gustaf Järnefelt	-	61,950	17,206	-	1.12
Mikko Karvinen	-	24,780	-	-	0.45
Jarmo Laine	-	46,466	12,908	-	0.84
Petriina Puolakka	4,114	30,968	8,596	0.07	0.63

\* All option rights listed in the table have been issued pursuant to Option Plan 2013A.

\*\* Proportion of Shares owned compared to all Shares issued and outstanding as at the date of this Prospectus (on a non-diluted basis).

\*\*\* Proportion of Shares and options owned (including options that have not yet vested) compared to all Shares and option rights issued and outstanding as at the date of this Prospectus.

The shareholders of the Company, including the members of the board of directors and other management, who as at the date of the Prospectus hold more than 1% of outstanding shares in the Company, have undertaken not to transfer any Shares owned by them on the date of this Prospectus for a period of 12 months following the date of fulfilment of FN Listing. See "*Lock-ups*". In addition, the Company and the holders of stock options have agreed that the stock option holders shall not exercise their rights to subscribe for shares in the Company under the option plans until six months have passed from the first day of trading of the Shares on First North Finland or First North Sweden. In addition, it has been agreed that should any of Janne Huhtala, Gustaf Järnefelt, Rainer Harjunpää, Jarmo Laine, Henri Hannula, Petriina Puolakka, John Hardin, Mikko Karvinen, Timothy Irish, Kenneth Charhut or Olli Riikkala exercise any right to subscribe for shares in the Company based on the option plans following the said six month period, such persons shall not transfer any Shares so subscribed to by them on the same terms as in the lock-up agreements.

## Statement regarding the management of the Company

Unless stated otherwise below, on the date of this Prospectus not a single member of the board of directors or the management team has, during the last five years:

- been convicted for fraudulent crimes or offences;
- been in a leading position, for example, a member of an administrative, governing or supervisory body or belonged to the management of a company, which has been petitioned for bankruptcy, liquidation or reorganisation; or
- faced official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or received a verdict from a court regarding the ineligibility for acting in an administrative, governing or supervisory body of any company or for managing the business of any company.

## Remuneration and benefits of board members and management

The Company's shareholders resolve upon the remuneration and benefits for the board members at the general meeting in accordance with the Finnish Companies Act.

For the financial year ended 31 December 2013 a total of (i) EUR 55.7 thousand was paid to the members of the board of directors as remuneration for attending meetings; (ii) EUR 190.4 thousand (including perquisites) was paid to CEO Janne Huhtala and (iii) EUR 665.4 thousand to the other members of the management team.

The shareholders of the Company resolved on 29 September 2014 that the members of the board of directors will be paid a yearly fee of EUR 12.0 thousand and the chairman of the board would be paid a yearly fee of EUR 25.0 thousand for the financial year 2014.

The chairman of each board committee will be paid EUR 1,000 per meeting, and the members of the board committees will be paid EUR 500 per meeting, up to a maximum of four meetings per year.

Members of the board of directors Kenneth Charhut and Timothy Irish have also received consultation fees from the Company. For further information, see "*Major Shareholders – Related party transactions*".

No service agreements or pension arrangements have been entered into between the Company and the members of the board of directors.

Under his service contract CEO Janne Huhtala is entitled to a monthly salary of EUR 16.0 thousand and to a housing allowance with a monthly taxable value of EUR 731.50. Huhtala's maximum yearly bonus is 50 % of his base compensation (being 13 times the monthly salary). Huhtala is not entitled to any voluntarily pension schemes. In case the Company terminates Huhtala's service contract without cause, Huhtala is entitled to a severance payment equalling nine months' salary.

Furthermore, Janne Huhtala and Petriina Puolakka are entitled to an additional, non-recurring bonus for the work in relation to the FN Listing, if the FN Listing is carried out during the year 2014, Huhtala for the amount of EUR 100.0 thousand and Puolakka for the amount of EUR 40.0 thousand.

## Conflicts of interest

The conflicts of interest of the management of Finnish companies are regulated in the Finnish Companies Act. Pursuant to chapter 6 section 4 of the Finnish Companies Act, a member of the board of directors shall not participate in the consideration of a matter pertaining to a contract between the member and the company. A member of the board of directors shall likewise not participate in the consideration of a matter pertaining to a contract between the company and a third party, if the member is to derive an essential benefit in the matter and that benefit may be contrary to the interests of the company. The above mentioned provision shall respectively be applied to other legal acts and court proceedings as well as to other exercise of right of action. The same provisions are applied to the managing director. The members of the board of directors, the managing director or other key personnel do not have conflicts of interest between their tasks in relation to the Company and their private interests or other tasks.

## Corporate governance

The Company does not adhere to the Finnish Corporate Governance Code 2010 recommendation, as it is not justified with respect to the size and the extent of the business of the Company.

## Auditors

Pursuant to section 6 of the articles of association of the Company, the Company shall have an auditor, which must be an auditing firm certified by the Finland Chamber of Commerce. The term of office of the auditor ends at the adjournment of the annual general meeting of shareholders first following the election.

The general meeting of shareholders of the Company has in 2007 elected PricewaterhouseCoopers Oy, an auditing firm

approved by the Finnish Chambers of Commerce (entered into the Trade Register with business identification code 0486406-8, address PO Box 1015, (Itämerentori 2) 00101 Helsinki), as auditor of the firm, with Authorised Public Accountant Martin Grandell as auditor-in-charge. The financial statements for the accounting periods ended on 31 December 2013 and 31 December 2012 have been audited by PricewaterhouseCoopers Oy, which still is Company's auditor. Martin Grandell continues to act as auditor-in-charge.

The Authorised Public Accountant that signed the financial statements is a member of the Finnish Institute of Authorised Public Accountants (In Finnish: *KHT-yhdistys*).

## SHAREHOLDER RIGHTS

### **Pre-emptive rights**

Pursuant to the Finnish Companies Act, shareholders of a Finnish company have a pre-emptive right, in proportion to their shareholdings, to subscribe for new shares in such company unless the resolution of the general meeting of shareholders approving such issue, or authorising the board of directors to resolve on such issue, provides otherwise. Pursuant to the Finnish Companies Act, a resolution that deviates from the shareholders' pre-emptive rights must be approved by at least two-thirds of all votes cast and shares represented at a general meeting of shareholders. In addition, pursuant to the Finnish Companies Act, such a resolution requires that the company has a weighty financial reason to deviate from the pre-emptive rights of shareholders.

Certain shareholders resident in, or with a registered address in, certain jurisdictions other than Finland or Sweden may not be able to exercise pre-emptive rights in respect of their shareholdings unless a registration statement, or an equivalent thereof under the applicable laws of their respective jurisdictions, is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

### **General meetings of shareholders**

#### ***General***

Pursuant to the Finnish Companies Act, shareholders exercise their power to resolve on matters at general meetings of the shareholders. Pursuant to the Finnish Companies Act, the annual general meeting of shareholders of the company must be held annually no later than six months from the end of the company's financial year. At the annual general meeting of shareholders, the financial statements, including the income statement, statement of financial position and cash flow statement with notes thereto and consolidated financial statements, are presented to the shareholders for adoption. At the annual general meeting, shareholders also make decisions regarding, among others, use of profits shown in the statement of financial position, the discharge from liability of the members of the board of directors and the managing director, the number of members of the board of directors as well as the election of the members of the board of directors and the auditor, and their respective remuneration.

An extraordinary general meeting of shareholders in respect of specific matters must be convened when deemed necessary by the board of directors, or when requested in writing by the auditor of the company or by shareholders representing at least one-tenth of all of the issued and outstanding shares in the company.

Pursuant to the articles of association of the Company, the board of directors must publish a notice to a general meeting of shareholders on the Company's website or otherwise in a verifiable manner no more than three months and no less than three weeks prior to the general meeting, however, in any case, at least nine days before the record date of the general meeting of shareholders. Under the Rules of First North, the Company shall publish the notice to a general meeting of shareholders as a company release as well as on the Company's website.

In order to attend and vote at the general meeting of shareholders, a shareholder must, pursuant to the articles of association of the Company, register with the Company at the latest on the date referred to in the notice convening the meeting, which may be at the earliest ten days before the general meeting of shareholders. Shareholders must comply with the requirements in respect of Shares registered in Euroclear Finland or Euroclear Sweden, as the case may be, and any instructions provided in the relevant notice of the general meeting of shareholders.

There are no quorum requirements for general meetings of shareholders in the Finnish Companies Act or in the articles of association of the Company.

#### ***Shareholders with Shares registered in Euroclear Finland***

In order to have the right to attend and vote at a general meeting of shareholders, a shareholder must be registered at least eight Finnish business days prior to the relevant general meeting of shareholders in the register of shareholders maintained by Euroclear Finland in accordance with Finnish law. A beneficial owner of nominee-registered shares contemplating attending and vote at the general meeting of shareholders should seek a temporary registration in the register of shareholders maintained by Euroclear Finland by the date announced in the notice to the general meeting of shareholders, which date must be after the record date of the general meeting of shareholders. A notification for temporary registration of a beneficial owner into the shareholder register of the Company is considered notice of attendance at the general meeting of shareholders.

#### ***Shareholders with Shares registered in Euroclear Sweden***

In order to have the right to attend and vote at a general meeting of shareholders, a shareholder with Shares registered in Euroclear Sweden's book-entry securities system must (i) be registered in the register of shareholders maintained by



Euroclear Sweden on the record date of the general meeting of shareholders, i.e. eight Finnish business days prior to the general meeting of shareholders, and (ii) request temporary registration of ownership in the register of shareholders maintained by Euroclear Finland by the date announced in the notice to convene the general meeting.

Furthermore, shareholders with shares registered in Euroclear Sweden in the name of a nominee, through a bank or a securities institution, must, in order to have the right to attend the general meeting of shareholders, (i) temporarily re-register their shares in their own name in the register maintained by Euroclear Sweden by instructing their nominee to send to Euroclear Sweden the request for temporary registration into the register of shareholders maintained by Euroclear Sweden, and (ii) procure that the nominee sends the abovementioned request for temporary registration in the register of shareholders maintained by Euroclear Finland on their behalf. See also "*First North and securities markets – Trading and settlement on First North Sweden* and *First North and securities market – Registration of the Shares*".

A request for temporary registration of ownership in the register of shareholders maintained by Euroclear Finland is considered notice of attendance at the general meeting of shareholders.

### **Voting rights**

A shareholder may attend and vote at a general meeting of shareholders in person or through an authorised representative. Pursuant to the Finnish Companies Act and the articles of association of the Company, each Share entitles the holder to one vote at the general meeting of shareholders. At a general meeting of shareholders, resolutions are generally passed with the majority of the votes cast.

However, certain resolutions, such as any deviations from shareholders' pre-emptive rights in respect of share offerings and repurchases of own shares, amendments to the articles of association and resolutions regarding mergers, demergers or liquidation of a company, require at least two-thirds of the votes cast and the shares represented at the general meeting of shareholders.

In addition, certain resolutions, such as amendments to the articles of association that change the respective rights of shareholders holding the same class of shares or increase the redemption rights of a company or its shareholders require the consent of all shareholders, or where only certain shareholders are affected, require the consent of all shareholders affected by the amendment in addition to the applicable majority requirement.

### **Squeeze-out rights**

Under the Finnish Companies Act, a shareholder with shares representing more than 90 % of all shares and voting rights attached to all shares in a company has the right to redeem remaining shares in such company for fair value. In addition, any minority shareholder that possesses shares that may, pursuant to the Finnish Companies Act, require such majority shareholder to redeem its shares.

### **Dividends and other distributions of funds**

#### ***General***

Under the Finnish Companies Act, the shareholders' equity of a company is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the fair value reserve and the revaluation reserves according to the Finnish Accounting Act (1336/1997, as amended) as well as any possible reserve fund and share premium fund formed under the previous Finnish Companies Act (734/1978, as amended) effective prior to September 1, 2006.

In accordance with the prevailing practice in Finland, dividends on shares in a Finnish limited company, if any, are generally declared once a year. Dividends may be paid and unrestricted equity may be otherwise distributed after the general meeting of shareholders has adopted the company's financial statements and resolved on the amount of dividend or other distribution of unrestricted equity based on a proposal by the board of directors of the company. Pursuant to the Finnish Companies Act, the payment of a dividend or other distribution of unrestricted equity may also be based on financial statements other than those for the preceding financial year, provided that such financial statements have been adopted by the general meeting of shareholders. If the company has an obligation to elect an auditor pursuant to law or its articles of association, such financial statements must be audited.

The payment of a dividend or other distribution of unrestricted equity requires the approval of the majority of the votes cast at a general meeting of shareholders of the company. Pursuant to the Finnish Companies Act, the general meeting of shareholders may also authorise the board of directors to resolve upon the payment of dividends and other distributions of unrestricted equity. The amount of dividend or other distribution of unrestricted equity cannot exceed the amount stipulated by the general meeting of shareholders.

Pursuant to the current Finnish Companies Act, a company may also distribute funds by reducing its share capital, which requires the approval of the majority of votes cast at a general meeting of shareholders of the company. A decision regarding the share capital reduction must be registered in the Finnish Trade Register within one month from the general meeting of shareholders of the company that resolved on such share capital reduction. Following the registration of the share capital reduction, a creditor hearing process may be commenced and the Finnish Trade Register will issue, upon

application of the company, a notice to the creditors of the company. The reduction of the share capital may be registered if none of the creditors of the company has opposed the reduction of the share capital or the company has received a confirmatory judgment to the effect that the opposing creditors have either received payment for their receivables or a securing collateral has been placed by the company for the payments of such receivables.

Distributable funds include the net profit for the preceding financial year, retained earnings from previous financial years and other unrestricted equity, adjusted for the loss set forth in the statement of financial position and the amounts that the articles of association of the company require to be left undistributed. The amount of any dividend or other distribution of unrestricted equity is limited to the amount of distributable funds of the company stated in the financial statements upon which the decision to pay dividends or otherwise distribute unrestricted equity are based, subject to any material changes in the financial condition of the company since the financial statements were prepared. Distribution of funds, whether by way of dividend or other distribution of unrestricted equity, is prohibited if it is known, or it should be known, at the time such decision is made that the company is insolvent or that such distribution would cause the company to become insolvent.

Distributable funds are, where applicable, to be further adjusted for capitalised incorporation, research and certain development costs in accordance with the provisions of the Finnish Act on the Implementation of the Finnish Companies Act (625/2006, as amended). A parent company of a consolidated group of companies may not distribute more than the amount of distributable funds shown on the parent company's latest audited and adopted financial statements.

The dividend may not exceed the amount proposed or otherwise accepted by the board of directors, unless so requested at the general meeting by shareholders representing at least one-tenth of all of the issued and outstanding shares in the company, in which case, the dividend can be no more than the lesser of (i) at least one-half of the profit for the preceding financial year less the amount that the articles of association of the company require to be left undistributed (if any) and (ii) the amount of distributable funds as described above. However, in such case, the dividend cannot exceed 8 % of the total shareholders' equity of the company and the distributable amount must be adjusted for any dividends paid during the accounting period before the annual general meeting of shareholders. As regards payment of dividends to shareholders, see "*First North and securities market – Registration of the Shares*".

All Shares in the Company will carry equal rights to dividends and other distributions of funds by the Company (including distributions of assets in the event of the liquidation of the Company). After they are registered in the Finnish Trade Register, the Shares in the Company will entitle the holders to dividends and other distributions of funds by the Company as well as other shareholder rights. The right to dividends expires within three years from the dividend payment date.

For information relating to taxation of dividends, see "*Taxation*".

### **Own shares**

Pursuant to the Finnish Companies Act, a company can repurchase its own shares. Resolutions regarding the repurchase of a company's own shares must be made by the general meeting of shareholders, unless the general meeting of shareholders has authorised the board of directors to resolve upon share repurchases using unrestricted equity. Any such authorisation with regard to a public limited company may remain in effect for no more than 18 months. A public limited company may not, directly or indirectly, own more than 10 % of all shares in the company.

### **Restrictions on foreign ownership**

General restrictions on foreign ownership of Finnish companies were abolished as of 1 January 1993. However, the Act on the Control of Foreigners' Acquisition of Finnish Companies (172/2012, as amended, the "**Control Act**") grants Finnish authorities some control over the ownership of Finnish companies operating in areas sensitive from a national emergency supply or national security perspective. Pursuant to the Control Act, advance clearance by the Finnish Ministry of Employment and the Economy is required if a foreign person or entity, other than a person or entity from another member state of the EU or the European Free Trade Association (EFTA), were to acquire a holding of at least one-tenth, one-third or half of the voting rights, or equivalent control by other means, over a Finnish company involved in the defence industry or producing dual-use goods. Furthermore, there are no minimum thresholds for the number of employees or the amount of turnover or total assets of the acquired company before a clearance procedure is triggered. Pursuant to the Control Act, foreign persons or entities are not required to seek clearance by the Finnish Ministry of Employment and the Economy for acquisitions of Finnish companies operating in other industries than the defence industry.

### **Foreign exchange control**

Shares in a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may also receive dividends without separate Finnish exchange control consent, the transfer of assets out of Finland being subject to payment by the company of withholding taxes in the absence of an applicable taxation treaty. Non-residents having acquired shares in a Finnish limited company may receive shares pursuant to a bonus issue or through participation in a rights issue without separate Finnish exchange control consent. Shares in a

Finnish company may be sold in Finland by non-residents, and the proceeds of such sale may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations restricting the sale of shares in a Finnish company by non-residents to other non-residents.

## FIRST NORTH AND SECURITIES MARKETS

### About the First North markets

First North is Nasdaq's Nordic growth market, designed for small and growing companies. As opposed to companies listed on a regulated market such as the official list of the Helsinki Stock Exchange or the Stockholm Stock Exchange, companies listed on First North are subject to less extensive rules. This is intended to allow smaller companies to enjoy the benefits of being a publically traded company without excess administrative burden. Unlike on regulated markets, companies listed on First North must engage a "Certified Adviser" whose role is to ensure that companies comply with applicable requirements and rules.

First North is regulated as a multilateral trading facility as opposed to a regulated market. "Multilateral trading facility" and "regulated market" are classifications for trading venues of securities set out in the Directive 2004/39/EC on Markets in Financial Instruments. Multilateral trading facilities and the holders and issuers of securities listed on a multilateral trading facility are subject to less stringent rules than regulated markets and the holders and issuers of securities listed on a regulated market. Companies that have applied for their shares to be listed on First North are subject to the Rules of First North but not the requirements for admission to trading on a regulated market. See below "*Regulation of the securities markets – Finland*" and "*Regulation of the securities markets – Sweden*".

Both First North Finland and First North Sweden have the same rules for issuers, except for limited minor differences due to differences in national law. The rules are set out in the Rules of First North. See "*Trading and settlement on First North Finland*" and "*Trading and settlement on First North Sweden*".

First North Finland and First North Sweden use the same INET Nordic trading system as the Nasdaq Nordic main markets for trading in shares. The trading periods comprise a pre-trading session, a continuous trading session and a post-trading session. The trading periods and the respective trading hours are set out in a time table in force from time to time, as made available by the Nasdaq Nordic stock exchanges at <http://www.nasdaqomxnordic.com/tradinghours>.

### Trading and settlement on First North Finland

First North Finland is maintained by the Helsinki Stock Exchange, a member of the NASDAQ OMX group. Pursuant to the Rules of First North, the Trading Rules of Helsinki Stock Exchange (in Finnish: *NASDAQ OMX Helsinki Oy:n Arvopaperien Kaupankäytisäännöt*) apply on First North Finland as set out in further detail in the Rules of First North. Additional rules specific to First North Finland are set out in Supplement C to the Rules of First North.

On the Helsinki Stock Exchange and therefore also on First North Finland the currency of trading and settlement of transactions is euro, and the smallest recorded price movement (tick size) is EUR 0.01.

The Shares in the Company are issued and registered in the book-entry securities system maintained by Euroclear Finland. Trades in Shares listed on First North Finland are settled bilaterally in Euroclear Finland's settlement system in accordance with the settlement schedule in force from time to time.

### Trading and settlement on First North Sweden

First North Sweden is maintained by the NASDAQ OMX Stockholm AB. Pursuant to the Rules of First North, the NASDAQ OMX Member Rules regarding Stockholm Stock Exchange, chapters 2–5, and appendices, as amended from time to time, shall apply to trading on First North Sweden. Additional rules specific to First North Sweden are set out in Supplement B to the Rules of First North.

On First North Sweden, the currency of trading and settlement of transactions is Swedish krona, and the smallest recorded price movement (tick size) is SEK 0.01.

Shares traded on First North Sweden are issued and registered in the book-entry securities system maintained by Euroclear Finland. Such Shares will be additionally registered in the Swedish book-entry securities system maintained by Euroclear Sweden, and trades in Shares listed on First North Sweden are settled in Euroclear Sweden's settlement system.

The Shares registered with Euroclear Sweden will be entered into the shareholder register of the Company maintained by Euroclear Finland as held by Euroclear Sweden in its capacity of nominee custodian of the Shares traded on First North Sweden, and Euroclear Sweden will "mirror" these Shares to the book-entry securities system of Euroclear Sweden. Shares registered in the system of Euroclear Sweden will have the same ISIN as the Shares registered in Euroclear Finland.

### Registration of the Shares

#### *General*

Company is a Finnish public limited company that contemplates to apply for listing of its Shares for trading on First

North Finland and First North Sweden. The Shares in Company are registered in the electronic book-entry securities system maintained by Euroclear Finland. The Company and its Shares will have their primary registration in the book-entry register of Euroclear Finland. Further, Shares admitted to trading on First North Sweden will be registered in the corresponding Swedish book-entry securities system maintained by Euroclear Sweden.

The Finnish account operator engaged by Euroclear Sweden will be recorded in Euroclear Finland's securities system as the nominee custodian of such Shares in the Company that are traded on First North Sweden. Shares registered in Euroclear Sweden's securities system will have the same ISIN as shares registered in Finland (see below "*Registration in Finland*" and "*Registration in Sweden*").

Investors who participate in the Finnish Retail Offering or the Institutional Offering and receive Shares through Euroclear Finland to a book-entry account in Finland will have their Shares entered into the shareholder register maintained by Euroclear Finland. To be able to trade Shares on First North Sweden, such investors will need to transfer their Shares to the book-entry securities system of Euroclear Sweden. If a Finnish investor acquires Shares through trading on the secondary market through First North Sweden, such investor will need to transfer their Shares to the system of Euroclear Finland to be able to be registered as the owner in the shareholder register maintained by Euroclear Finland. Conversely, investors who participate in the Swedish Retail Offering or the Institutional Offering and receive Shares through Euroclear Sweden to a book-entry account in Sweden will have their Shares entered into the shareholders register maintained by Euroclear Sweden. To be able to trade Shares on First North Finland, such investors will need to transfer their Shares to the book-entry securities system of Euroclear Finland. Such cross-border settlement may be associated with additional costs (see "*Cross-border settlement*" below).

### ***Registration in Finland***

The book-entry securities system refers to a system in which physical share certificates have been changed to book entries registered in book-entry accounts. The Finnish book-entry securities system is centralised at Euroclear Finland, which offers national clearing, settlement and registration services for securities. Euroclear Finland maintains a central book-entry register for both equity and debt securities. The business address of Euroclear Finland is Urho Kekkosen katu 5C, FI-00100 Helsinki, Finland.

Euroclear Finland maintains a register of shareholders for each listed company and book-entry accounts for shareholders who do not wish to utilise the services of commercial account operators. The expenses incurred by Euroclear Finland in connection with maintaining the book-entry securities system are borne mainly by the issuers participating in the book-entry securities system and the account operators. The account operators, which consist of credit institutions, investment firms and other institutions licensed to act as account operators by Euroclear Finland, are entitled to make entries in the book-entry register and administer the book-entry accounts.

Dividends and other distributions of funds are paid to shareholders or their nominees entered in the register of shareholders on the relevant record date. Under Euroclear Finland's book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register.

In order to hold entries in the book-entry securities system, a security holder must open a book-entry account with Euroclear Finland or an account operator. A foreigner, foreign entity or trust may hold book-entries. Such persons may also deposit book-entries in a custodial nominee account, where the shares are registered in the name of a custodial account holder in the company's register of shareholders. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book-entry securities owned by one or more beneficial owners may be registered in a custodial nominee account. In addition, the shares owned by a foreigner, foreign entity or trust may be deposited in a book-entry account opened in the name of such foreigner, foreign entity or trust, but the holding may be registered in the name of a nominee in the company's register of shareholders.

All transfers of securities registered with the book-entry securities system are executed as computerised book-entry transfers to the extent they are executed in the book-entry securities system. The account operator confirms the book-entry by sending a statement of book-entries made to the holder of the respective book-entry account at least four times a year. The book-entry account holders also receive an annual statement of their holdings at the end of each calendar year. Each book-entry account is required to contain specific information with respect to the account holder and other holders of rights to the book-entries entered into the account as well as information on the account operator administering the book-entry account. The required information also includes the type and number of book-entries registered as well as the rights and restrictions pertaining to the account and to the book-entries registered in the account. A custodial nominee account is identified as such on the entry.

Euroclear Finland and the account operators are required to observe strict confidentiality. Certain information (e.g., the name and address of each account holder) contained in the register of shareholders maintained by Euroclear Finland must be made available to the public by Euroclear Finland and the company, except in the case of custodial nominee registration. The Finnish FSA is also entitled to certain information on the holdings of shares registered in a custodial nominee account upon request. The company has the same rights in respect of shares and instruments that entitle the holder to shares issued by the company. Each account operator is strictly liable for errors and omissions in its registration activity, and for any unauthorised disclosure of information. If an account holder has suffered a loss as a result of a faulty

registration or other mistake or defect relating to the entries and the account operator has not compensated such loss due to insolvency that is not temporary, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland. The capital of the registration fund shall be no less than 0.000048% of the average of the total market value of the book-entries kept in the book-entry securities system during the last five years and it must not be less than EUR 20 million. The compensation to be paid to an injured party is equal to the amount of damages suffered subject to a limit of EUR 25,000 per account operator. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

#### *Custody of the shares by nominees*

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organisations approved by Euroclear Finland) to act on its behalf. A custodial nominee account holder is entitled to receive dividends on behalf of the shareholder. A beneficial owner wishing to attend and vote at general meetings of shareholders must seek a temporary registration to the shareholders' register and the shares must be registered in the share register no later than eight business days prior to the relevant general meeting of shareholders. Upon request by the Finnish FSA or the relevant company, a custodial nominee account holder is required to disclose the name of the beneficial owner of any shares registered in such custodial nominee's name, provided the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the custodial nominee account holder is required to disclose corresponding information on the representative acting on behalf of the beneficial owner and to submit a written declaration of the representative to the effect that the beneficial owner of the shares is not a Finnish natural person or legal entity. A shareholder wishing to hold his/her shares in the book-entry securities system in his/her own name but who does not maintain a book-entry account in Finland is required to open a book-entry account at an account operator and a convertible euro account at a bank.

#### **Registration in Sweden**

The Swedish central securities depository register (Sw. *avstämningsregistret*) is maintained by Euroclear Sweden, a central securities depository and clearing organisation under the Swedish Financial Instruments Accounts Act (1998:1479, as amended) and the Swedish Securities Market Act (2007:528, as amended). Among other things, Euroclear Sweden maintains share registers of the Swedish companies listed on First North Sweden. Shares maintained by Euroclear Sweden are registered in dematerialised form in book-entry accounts and no share certificates are issued. Title to the shares is secured by registration with Euroclear Sweden through banks or other securities institutes, which have been approved as account operators by Euroclear Sweden. The Swedish central securities register maintained by Euroclear Sweden also contains certain additional information, for example as regards security rights. The business address of Euroclear Sweden is Klarabergsviadukten 63, Box 191, 10123, Stockholm, Sweden.

Shares may be registered on securities accounts and accordingly be entered in the share register maintained by Euroclear Sweden, either in the owner's name (directly registered shares) or in the name of a nominee custodian approved by Euroclear Sweden (nominee-registered shares). If the shares are nominee-registered, this is noted in the book-entry securities system. The relationship between the custodian and the beneficial owner is governed by agreement. The beneficial owner must, if they desire to exercise certain rights, for example attend a general meeting of shareholders, temporarily reregister the shares in their own name. The custodians also regularly report the holdings of the beneficial owners to Euroclear Sweden.

Rights conferred by shares and entitling to dividends, or participation in a rights issue or a bonus issue, are issued to those holders of the Shares whose names are entered into the Swedish central securities register as at a certain record date, and dividends are normally distributed to bank accounts designated by the holders registered with Euroclear Sweden. The record date in question must be indicated in the resolutions determining the dividend or share issue or other resolutions for which shareholders have priority. It is expected that shareholders registered with Euroclear Sweden will receive payment one banking day after the payment date for shareholders registered with Euroclear Finland.

If the registered holder is a nominee custodian, the nominee custodian receives the dividend and other economic rights conferred by the Shares on behalf of the beneficial owner. The same applies to subscription rights in connection to rights issues and such new shares which have been subscribed for by virtue of subscription right. Dividends are paid to the nominee custodian as a lump sum, and it is the nominee custodian who is responsible for the distribution of the dividend to the beneficial owners. A similar procedure is followed for subscription rights and newly issued shares.

#### **Cross-border settlement**

There are specific requirements for cross border settlement (i.e. transfer of shares from Euroclear Finland to Euroclear Sweden or vice versa). Such transfers may be subject to fees levied by the settlement parties in accordance with their respective fee schedules.

#### **Compensation fund for investors and the deposit guarantee fund**

In a compensation fund for investors, investors are divided into professional and non-professional investors. The fund

does not compensate any losses by professional investors. The definition of professional investor includes business enterprises and public entities, which are deemed to understand the securities markets and their associated risks. An investor may also provide notice in writing that, on the basis of his/her professional skills and experience in the securities markets, he/she is a professional investor; however, natural persons are presumed to be non-professional investors. Investment firms and credit institutions must belong to the compensation fund. The compensation fund safeguards payment of clear and indisputable claims when an investment company or a credit institution has been declared bankrupt, is undergoing a restructuring process or is otherwise, for a reason other than temporary insolvency, not capable of paying claims within a determined period of time. For valid claims, the compensation fund will pay 90 % of the investor's claim against each investment company or credit institution, up to a maximum of EUR 20,000. The compensation fund does not provide compensation for losses due to decreases in stock value or bad investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions. Depository banks must belong to a deposit guarantee fund, which is intended to safeguard payments of receivables in the depository bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depository bank becomes insolvent and the insolvency is not temporary. The customers of a depository bank can be compensated by the deposit insurance fund up to a maximum of EUR 100,000. An investor's funds can be safeguarded either by the deposit insurance fund or the compensation fund. However, an investor's funds cannot be safeguarded by both funds at the same time.

## **Regulation of the securities markets**

### ***Finland***

The securities market in Finland is supervised by the Finnish FSA. The principal statute governing the Finnish securities market is the Finnish Securities Markets Act, which contains regulations with respect to company and shareholder disclosure obligations, prospectuses, public tender offers and insider dealing, among other things. The Finnish FSA and the Ministry of Finance of Finland have issued more detailed regulations pursuant to the Finnish Securities Markets Act. The Finnish FSA monitors compliance with the Finnish Securities Market Act and these regulations. As First North Finland is classified as a multilateral trading facility (in Swedish (in Finland): *multilateral handelsplattform*) and not a regulated market (in Swedish: *reglerad marknad*), only a subset of the rules contained in the Finnish Securities Market Act apply to the Company and investors in its securities.

The Finnish Securities Markets Act specifies minimum disclosure requirements for Finnish companies applying for listing on a regulated market or offering securities to the public in Finland. The Finnish Securities Market Act specifies no minimum disclosure requirements for companies applying for listing on a multilateral trading facility, such as First North Finland or First North Sweden, where no securities are offered to the public in Finland. Where such a disclosure obligation applies, the information provided must be sufficient to enable a potential investor to make a sound evaluation of the securities being offered and the issuing company as well as of matters that may have a material effect on the value of the securities. According to the Finnish Securities Market Act, an issuer, the shares of which are subject to public trading in a multilateral trading facility in Finland due to an application made by the issuer, shall without delay publish all its resolutions and matters regarding the issuer and its operations that might have a material effect on the value of the security. Either the issuer or the organiser of the multilateral trading facility shall keep the published information available for the investors. Further, the Finnish Securities Markets Act imposes no obligation on shareholders to disclose major holdings in a company listed on a multilateral trading facility.

Finnish issuers of shares traded on a multilateral trading facility in Finland are currently not obliged to maintain a public insider register. Under the Rules of First North transactions in an issuer's shares by persons discharging certain managerial responsibilities and persons closely associated with a person discharging managerial responsibilities within an issuer shall be published on the issuer's website.

Under the Finnish Securities Market Act, there is no obligation based on holdings of shares or voting rights to make a public tender offer to purchase the remaining shares and other securities if such shares or securities are not traded on a regulated market. However, a party making a voluntary public tender offer to purchase shares or securities entitling to shares in a company listed on a multilateral trading facility shall comply with certain obligations arising from the Finnish Securities Market Act, such obligations relating to *inter alia* the equal treatment of the shareholders, disclosure, and securing financing for the tender offer.

The Finnish Penal Code (39/1889, as amended) criminalises *inter alia* the misuse of inside information and market manipulation. Pursuant to the Finnish Securities Markets Act and the Finnish Act on the Finnish Financial Supervisory Authority (878/2008, as amended), the Finnish FSA has the right to impose administrative sanctions to the extent the offence does not fall within the scope of the Finnish Penal Code. The Finnish FSA can, for example, issue a public warning or impose administrative fines or monetary penalties for the breach of provisions on the prohibitions of misuse of inside information and market abuse.

### ***Sweden***

The securities market in Sweden is supervised by the Swedish FSA (in Swedish: *Finansinspektionen*). Statutes governing the Swedish securities market include:

- the Swedish Financial Instruments Trading Act (in Swedish: *lag (1991:980) om handel med finansiella instrument*), which sets out regulations with respect to disclosures of major holdings, prospectuses and public tender offers, among other things;
- the Swedish Takeover Act (2006:451) (in Swedish: *lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*), which sets out regulations with respect to mandatory public tender offers (in Swedish: *budpliktsbud*);
- the Swedish Securities Markets Act (in Swedish: *lag (2007:528) om värdepappersmarknaden*), which sets out regulations with respect to periodic and ongoing disclosure obligations, the operations of regulated markets and multilateral trading facilities, among other things; and
- the Swedish Market Abuse Act (in Swedish: *lag (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument*), which sets out regulations and penalties with respect to misuse of inside information and market manipulation.

The Swedish FSA has issued more detailed regulations pursuant to the relevant statutes governing the securities market. The Swedish FSA monitors compliance with the applicable regulations. As First North Sweden is classified as a multilateral trading facility (in Swedish (in Sweden): *handelsplattform*) and not a regulated market (in Swedish: *reglerad marknad*), certain provisions provided in these statutes and regulations are not applied in relation to securities traded thereon.

The Swedish Financial Instruments Trading Act specifies minimum disclosure requirements for companies applying for listing on a regulated market or offering securities to the public in Sweden. The Swedish Financial Instruments Trading Act specifies no minimum disclosure requirements for companies applying for listing on a multilateral trading facility, such as First North Finland or First North Sweden, where no securities are offered to the public in Sweden. Where such a disclosure obligation applies, the information provided must be sufficient to enable a potential investor to make a sound evaluation of the securities being offered and the issuing company as well as of matters that may have a material effect on the value of the securities. The Swedish Securities Market Act imposes no continuing obligation on companies listed on a multilateral trading facility such as First North Finland or First North Sweden to publish financial information on the company or to disclose any matters likely to have a material effect on the value of their securities. Swedish law imposes no obligation on shareholders to disclose major holdings in a company listed on a multilateral trading facility.

Companies listed on First North Sweden are not obligated by law to maintain an insider register. Under the Rules of First North transactions in an issuer's shares by persons discharging certain managerial responsibilities and persons closely associated with a person discharging managerial responsibilities within an issuer shall, however, be published on the issuer's website.

Under the Swedish Takeover Act, there is no obligation based on holdings of voting rights to make a public tender offer to purchase the remaining shares and other securities if such shares or securities are not traded on a regulated market. The Swedish Corporate Governance Board has published rules for public tender offers that apply for companies that are listed on multilateral trading facilities and that in all material aspects are similar to the rules for public tender offers for companies listed on a regulated market. These rules set out regulations with respect to mandatory public tender offers. However, these rules only apply to Swedish companies listed on the multilateral trading facilities.

The Swedish Market Abuse Act criminalises *inter alia* the misuse of inside information and market manipulation.



## TAXATION

### Finnish tax considerations

*The following summary is based on the tax laws of Finland as in effect as at the date of this Prospectus and is subject to changes in the tax laws of Finland, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Finland. Prospective investors are advised to consult professional tax advisors as to the tax consequences of the purchase, ownership and disposition of shares in Company.*

The following is a description of the material Finnish income tax and transfer tax consequences that maybe relevant with respect to the Offering. The description below is applicable to both Finnish resident and non-resident natural persons and limited companies for the purposes of Finnish domestic tax legislation relating to dividend distributions on shares and capital gains arising from the sale of shares.

The following description does not address tax considerations applicable to such holders of Company's Shares that may be subject to special tax rules relating to, among others, different restructurings of corporations, controlled foreign corporations, non-business carrying entities, income tax-exempt entities or general or limited partnerships. Furthermore, this description does not address Finnish inheritance or gift tax consequences.

This description is primarily based on:

- Finnish Income Tax Act (in Swedish: *inkomstskattelag* 1535/1992, as amended, the "**Finnish Income Tax Act**");
- Finnish Business Income Tax Act (in Swedish: *lag om beskattning av inkomst av näringsverksamhet* 360/1968, as amended, the "**Finnish Business Income Tax Act**");
- Finnish Act on the Taxation of Income of a Person Subject to Limited Tax Liability (in Swedish: *lag om beskattning av begränsat skattskyldig för inkomst* 627/1978, as amended);
- The Finnish Transfer Tax Act (in Swedish: *lag om överlåtelseskatt* 931/1996, as amended).

In addition, relevant case law as well as decisions and statements made by the tax authorities in effect and available as at the date of this Prospectus have been taken into account.

The following description is subject to change, which change could apply retroactively and could, therefore, affect the tax consequences described below.

### General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are taxed on income from Finnish sources only. Additionally, Finland imposes taxes on non-residents for income connected with their permanent establishments situated in Finland. However, tax treaties may limit the applicability of Finnish tax legislation and also the right of Finland to tax Finnish-source income received by a non-resident.

Generally, a natural person is deemed to be a resident in Finland if such person remains in Finland for a continuous period of more than six months or if the permanent home and abode of such person is in Finland. However, a Finnish national who has moved abroad is considered to be resident in Finland until three years have passed from the end of the year of departure unless it is proven that no substantial ties to Finland existed during the relevant tax year. Earned income, including salary, is taxed at progressive rates.

Currently, the capital income tax rate is 30 %. In addition, should the amount of capital income received by a resident natural person exceed EUR 40,000 in a calendar year, the capital income tax rate is 32 % on the amount that exceeds EUR 40,000.<sup>29</sup>

Corporate entities established under the laws of Finland are regarded as residents in Finland and are, therefore, subject to corporate income tax on their worldwide income. In addition, non-residents are subject to Finnish corporate income tax on their income connected with their permanent establishments situated in Finland. Currently, the corporate income tax rate is 20 %.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of Shares in Company by Finnish resident and non-resident shareholders.

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<sup>29</sup> The Finnish Government has on 15 September 2014 given a proposal (HE 122/2014) according to which the threshold of EUR 40,000 will be reduced to EUR 30,000 and the higher progressive tax rate will be increased to 33 % should the amount of capital income received by a resident natural person exceed EUR 30,000. Should the proposal be passed, the changes are anticipated to come into effect as of 1 January 2015.

## ***Taxation of dividends***

### *General*

The tax treatment of dividend income is dictated by whether the company distributing the dividend is publicly listed or not. By a publicly listed company is meant a company ("**Listed Company**") whose shares are admitted to trading:

- in a regulated market as set forth in the Finnish Act on Trading in Financial Instruments (748/2012, as amended);
- in another regulated market supervised by authorities outside the EEA-area; or
- in a *multilateral trading facility* as set forth in the Finnish Act on Trading in Financial Instruments, provided that the share has been admitted to trading by application of the company or with its consent.

First North is a multilateral trading facility as referred to above; hence the provisions regarding distribution of dividend of a publicly traded company are applied to the taxation of the dividend income from the Company.

Funds distributed from the so-called reserve for invested unrestricted equity (SVOP-reserve) of a Finnish publicly listed company are considered as dividend income for taxation purposes.

### *Resident natural persons*

85 % of dividends paid by a Listed Company to a shareholder, who is a resident natural person, is considered capital income of the recipient, while the remaining 15 % is tax exempt.

85 % of dividends paid by a Listed Company to a natural person whose underlying shares belong to the business activity of such shareholder is taxable partly as earned income, which is taxed at a progressive rate, and partly as capital income, and the remaining 15 % is tax exempt.

Distribution of dividends by a Listed Company to resident natural persons is subject to advance tax withholding. Currently, the amount of the advance tax withholding is 25.5 %. The advance tax withheld by the distributing company is credited against the final tax payable by the shareholder for the dividend received.

### *Finnish limited companies*

Taxation of dividends distributed by a Listed Company depends, among other things, on whether the Finnish company receiving the dividend is a Listed Company or not.

Dividends received by a Listed Company from another Listed Company are generally tax exempt. However, in cases where the underlying shares are included in the investment assets of the shareholder, 75 % of the dividend is taxable income while the remaining 25 % is tax exempt. Only banking, insurance and pension institutions may have investment assets.

Dividends received by a Finnish company that is not a Listed Company (i.e. a privately held company) from a Listed Company are fully taxable income. However, in cases where the privately held company directly owns 10 % or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax exempt, provided that the underlying shares are not included in the investment assets of the shareholder.

### *Non-residents*

As a general rule, non-residents of Finland are subject to Finnish withholding tax on dividends paid by a Finnish company. The withholding tax is withheld by the company distributing the dividend at the time of dividend payment and no other taxes on the dividend are payable in Finland. The withholding tax rate is 20 % for non-resident corporate entities as income receivers and 30 % for all other non-residents as income receivers. The withholding tax rate may be reduced or removed in full on the basis of an applicable tax treaty.

The reduced withholding rate benefit in an applicable tax treaty will be available if the person beneficially entitled to the dividend has provided a valid tax card or necessary details of its nationality and identity to the company paying the dividend.

If shares are held through a nominee account and the person entitled to receive dividends on such shares is a resident in a tax treaty country, the withholding tax rate on the dividend is the tax rate set forth in the relevant tax treaty; however, the tax rate must be at least 15 % (if the tax rate set forth in the tax treaty is less than 15 %, an application including the necessary details of the nationality and identity of the beneficial owner may be submitted for the refund of the excess withholding tax). This means that with respect to dividends on shares held through a nominee account, tax is withheld at the rate set in the applicable tax treaty or 15 % absent thorough clarification of the identity of the person beneficially entitled to the dividend. Such procedure, however, requires that the foreign custodian intermediary is registered in the Finnish tax authorities' register and that it is resident in a country with which Finland has a double taxation treaty. Also, the foreign custodian intermediary must have an agreement with the Finnish account operator regarding the custody of the shares. In such agreement, the foreign custodian intermediary must, among other things, commit to report the dividend receiver's residential country to the account operator and to provide additional information to the tax authorities,

if needed. If these provisions are not fulfilled, the 20 % withholding tax is withheld on the nominee account's dividends for non-resident corporate entities and 30 % for all other non-residents unless otherwise set forth in an applicable tax treaty. Dividends payable on Shares registered in the book-entry system of Euroclear Sweden may be subject to withholding at the full rate depending on the availability of information required for using treaty rates. Alternatively, provisions of the Finnish Act on Assessment Procedure (1558/1995, as amended) may be applied to the taxation of non-residents located in a state in the EEC.

In accordance with Finnish tax law, withholding tax is not withheld from dividends, which are paid to foreign companies, as set forth in Article 2 of the parent-subsidiary directive (2011/96/EU), located in an EU member state and subject to income tax of their home state, which directly have a minimum holding of 10 % of the capital of the dividend-distributing Finnish company.

Dividends paid to certain foreign companies located in the EEA-area are also either fully tax exempt or subject to a reduced withholding tax rate depending on how the dividend would be taxed, if it were paid to an equivalent Finnish company. The applicable double taxation treaty may however require that an even lower withholding tax rate shall be applied. Full withholding tax is withheld from other dividends paid to non-resident companies, unless the applicable double taxation treaty dictates otherwise.

## **Capital gains**

### *Resident natural persons*

A capital gain or loss arising from the sale of shares, which do not belong to the business activity of the shareholder, is taxable in Finland as a capital gain or deductible as a capital loss for resident natural persons.

Capital gains are currently taxed as a capital income. A capital loss arising from the sale of shares that do not belong to the business activity of the shareholder is deductible from the resident natural person's capital gains arising in the same year and during the following five tax years. As capital losses are not deductible from any other capital income apart from capital gains, they are not taken into account when calculating the capital income deficit for the tax year. Such capital losses do not increase the amount of the deficit-credit that is deductible from the taxes under the deficit-crediting system.

If the shares belong to the business activity (business income source) of the seller, any gain arising from the sale is deemed to be business income of the seller, which will be divided according to the Finnish Income Tax Act to be taxed as earned income at a progressive tax rate and capital income. The deductibility of losses related to shares included in the seller's business activity is determined as described under "*Finnish Limited Companies*" below.

Notwithstanding the above, capital gains arising from the sale of assets that do not belong to the business activity of the shareholder are exempt from tax provided that the proceeds of all assets sold by the resident natural person during the tax year do not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the tax year does not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws).

Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, a natural person holding shares that are not included in the business activity of the shareholder may, instead of deducting the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which is equal to 20 % of the sales price, or in the case of shares which have been held for at least ten years, 40 % of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any selling expenses are deemed to be included therein and cannot be deducted separately from the sales price.

### *Finnish limited companies*

The following applies only to Finnish limited companies that are taxed on the basis of the Finnish Business Income Tax Act. As a general rule, a capital gain arising from the sale of shares is taxable income of a limited company, which is taxed with a rate of 20 %.

Shares may be fixed assets, current assets, investment assets or financial assets of a limited company. The taxation of a disposal of shares and loss of value varies according to the asset type for which the shares qualify. Shares may also qualify as non-business income source assets of a limited company. The Finnish Income Tax Act's provisions are applied to capital gains that have arisen from the sale of assets from non-business income sources.

The sales price of any sale of shares is generally included in the business income of a Finnish company. Correspondingly, the acquisition cost of shares is deductible from business income upon disposal of the shares. However, an exemption for capital gains on share disposals is available for Finnish companies, provided that certain strictly defined requirements are met. The main criteria for the application of the so-called participation exemption is that the company selling the shares has directly and continuously for at least one year owned at least 10 % of the share capital in the company whose shares are sold and such ownership of the sold shares has ended at the most one year before the sale.

Tax deductible capital losses pertaining to the sale of shares (other shares than shares sold under the participation

exemption) that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of fixed assets shares in the same fiscal year and the subsequent five years. Capital losses pertaining to the sale of shares that are not part of fixed assets are tax deductible from taxable income in the same fiscal year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

### *Non-residents*

Non-residents who are not generally liable for tax in Finland are usually not subject to Finnish taxes on capital gains realised on the sale of shares in a Listed Company, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland for income tax purposes as referred to in the Income Tax Act and an applicable tax treaty and the shares are considered to be assets of that permanent establishment.

### ***Finnish transfer tax***

There is no transfer tax payable in Finland on transfers or sales of shares admitted to trading on First North Finland or First North Sweden if the transfer is made against a fixed pecuniary consideration. The transfer tax exemption requires that an investment firm, a foreign investment firm or other party offering investment services, as defined in the Finnish Investment Services Act (747/2012), is brokering or acting as a party to the transaction, or that the transferee has been approved as a trading party in the market in which the transfer is executed. Further, if the broker or the counterparty to the transaction is not a Finnish investment firm, Finnish credit institution, or a Finnish branch or office of a foreign investment firm or credit institution, the transfer tax exemption requires that the transferee submits a notification of the transfer to the Finnish Tax Administration within two months of the transfer, or that the broker submits an annual declaration regarding the transfer to the Finnish Tax Administration as set forth in the Act on Assessment Procedure (1558/1995, as amended).

Certain separately defined transfers, such as those relating to equity investments or distribution of funds, are not covered by the transfer tax exemption. In addition, the exemption does not apply to transfers carried out in order to fulfil the obligation to redeem minority shares under the Finnish Companies Act. See "*Shareholder rights – Squeeze-out rights.*"

If the transfer or sale of shares does not fulfil the above criteria for a tax-exempt transfer, transfer tax at the rate of 1.6 % of the sales price is payable by the purchaser. However, if the purchaser is neither a tax resident in Finland nor a Finnish branch or office of a foreign credit institution, investment firm or fund management company, the seller must collect the tax from the purchaser. If the broker is a Finnish stockbroker or credit institution, or a Finnish branch or office of a foreign stockbroker or credit institution, it is liable to collect the transfer tax from the purchaser and pay the tax to the state. If neither the purchaser nor the seller is tax resident in Finland or a Finnish branch or office of a foreign credit institution or foreign investment firm, the transfer of shares will be exempt from Finnish transfer tax. No transfer tax is collected if the amount of the tax is less than EUR 10. Transfer tax is not payable in connection with the issuance of new shares.

### **Swedish law tax considerations**

Below is a summary of certain Swedish tax issues related to the admission to trading of the Offer Shares on First North Sweden and First North Finland for private individuals and limited liability companies that are residents of Sweden for tax purposes, and to shareholders that are not resident in Sweden for tax purposes. The summary is based on current legislation and is intended only to provide general information regarding the Offer Shares as from the admission to trading on First North Sweden and First North Finland.

The summary does not cover:

- situations where Offer Shares are held as current assets in business operations;
- situations where Offer Shares are held by a limited partnership or a partnership;
- situations where Offer Shares are held in an investment savings account (in Swedish: *investeringssparkonto*);
- the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds Offer Shares in the Company that are deemed to be held for business purposes (for tax purposes);
- the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;
- the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (in Swedish: *investeraravdrag*);
- foreign companies conducting business through a permanent establishment in Sweden; or
- foreign companies that have been Swedish companies.

Further, special tax rules apply to certain categories of companies who are shareholders. The tax consequences for each individual shareholder depend to some extent on the holder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences relating to the holder's particular circumstances that could arise from the admission to trading of the Offer Shares in the Company on First North Sweden and First North Finland,

including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation. The summary below is based on the assumption that the Offer Shares are deemed listed for tax purposes in the period while Offer Shares are admitted to trading on First North Sweden and First North Finland (if the Offer Shares are not deemed listed for tax purposes, partially other tax rules besides the ones summarised below are applicable). However, we do not guarantee that the Offer Shares will be deemed listed.

#### *Private individuals resident in Sweden for tax purposes*

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30%.

The capital gain or the capital loss is computed as the difference between the consideration, less selling expenses, and the acquisition value. The acquisition value for all shares of the same class and type shall be added together and computed collectively in accordance with the so-called average method (in Swedish: *genomsnittsmetoden*). As an alternative, the so-called standard method (in Swedish: *schablonmetoden*) may be used at the disposal of listed shares. This method means that the acquisition value may be determined as 20% of the consideration less selling expenses.

Capital losses on listed shares may be fully offset against taxable capital gains arising during the same year on shares, as well as on listed securities taxed as shares (however not mutual funds (in Swedish: *värdepappersfonder*) or hedge funds (in Swedish: *specialfonder*) containing Swedish receivables only (in Swedish: *räntefonder*)). Capital losses not absorbed by these set-off rules are deductible at 70% in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30% of the net loss that does not exceed SEK 100,000 and 21% of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax is normally withheld on dividends if the dividends are paid by Euroclear Sweden or by another legal entity domiciled in Sweden, including a Swedish branch of a non-Swedish corporation. The Swedish preliminary tax withheld would normally amount to 15%, if Finnish withholding tax has been withheld at 15% (see further under heading "Finnish tax considerations – Taxation of dividends – Non-residents").

Further, specific tax rules may be applicable to any currency exchange gains or losses.

#### *Limited liability companies resident in Sweden for tax purposes*

For limited liability companies (in Swedish: *aktiebolag*) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22%. Capital gains and capital losses are calculated in the same way as described for private individuals above.

Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilised during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset against taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g., investment companies. Further, specific tax rules may be applicable to any currency exchange gains or losses.

#### *Shareholders not resident in Sweden for tax purposes*

Shareholders, who are not resident in Sweden for tax purposes and are not conducting business through a permanent establishment in Sweden, are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation.

## GLOSSARY

<b>CAGR</b>	Compound annual growth rate
<b>Charité Berlin</b>	Charité - Universitätsmedizin Berlin
<b>DCS</b>	Direct cortical stimulation
<b>DeNovo petition or 510(k) petition</b>	A FDA classification process for medical devices in the US for products that have no predicate device. Once the process is successfully completed the product may enter the US market
<b>EF or E-field</b>	Electric field. In Navigated Brain Stimulation or Navigated Brain Therapy, the e-field is created by triggering a transcranial magnetic stimulation (TMS) coil
<b>Electrodes</b>	A conductor used to establish electrical contact with nonmetallic part of a circuit. In Navigated Brain Stimulation and Navigated Brain Therapy, this is a small disc like piece of plastic with a gel centre that is placed on the muscle that is being tracked. The electrode works with the EMG to record muscle responses to the TMS
<b>EMG</b>	Electromyography
<b>FDA</b>	Food and Drug Administration. An agency in the US Department of Health and Human Services responsible for protecting and promoting public health through the regulation and supervision of e.g. medical devices
<b>fMRI</b>	Functional magnetic resonance imaging
<b>Fugl Meyer Scale</b>	One of the most widely used assessment tools of motor recovery after stroke. Evaluates and measures recovery in post stroke hemiplegic patients
<b>IDE</b>	An investigational device exemption (IDE) which must be sought to allow a medical device to be used in clinical trials in the US.
<b>KOL</b>	Key opinion leader
<b>MEG</b>	Magnetoencephalography
<b>MD Directive</b>	Medical Devices Directive (1993/42/EC, as amended)
<b>MR image or MRI</b>	Magnetic resonance imaging (or magnetic resonance image). A noninvasive diagnostic procedure that uses a powerful magnetic field, radio frequency pulses and a computer to produce detailed sectional images of the internal structure of the body
<b>MT</b>	Motor threshold. In Navigated Brain Stimulation and Navigated Brain Therapy, this is the amount of electrical energy needed for TMS to induce motor movement. The motor threshold varies widely between individuals. Once the patient's individual motor threshold has been determined, it will provide the appropriate level of intensity of TMS dosed to a patient during the mapping procedure
<b>NBS</b>	Navigated brain stimulation
<b>NBT</b>	Navigated brain therapy
<b>PMA</b>	Premarket approval by the FDA
<b>PSM</b>	Pre-surgical mapping
<b>rTMS</b>	Repetitive transcranial magnetic stimulation
<b>SRS</b>	Stereotactic radiosurgery. Stereotactic radiosurgery. A noninvasive treatment, not requiring a craniotomy, where numerous precisely focused radiation beams are used to treat tumors and other problems in the brain. It is a method that delivers high doses of radiation to the target area
<b>Stereotactic Camera</b>	A 3D optical tracking unit, that acts like a camera to create precise navigation through the motion sensor trackers found on the glasses, coil, and digitising pen for the Navigated Brain Stimulation and Navigated Brain Therapy Systems
<b>TMS</b>	Transcranial magnetic stimulation
<b>TU München</b>	Technische Universität München

## APPENDIX A - PATENTS

Nexstim's patent families and utility model including brief descriptions are set out in the below table.

<b>Patent family</b>	<b>Description</b>	<b>Filing mainly for</b>	<b>Implemented in</b>
NEX13	Coil tracker attachment	Platform	Both NBT & NBS
NEX14	Focal 8-shape coil	Platform	Both NBT & NBS
NEX15	E-field visualization	Platform	Both NBT & NBS
ILM 6	Dose calculation	Platform	Both NBT & NBS
NEX 27	Consumable head tracker (utility model)	Platform	Both NBT & NBS
NEX 29	Positioning apparatus and method	Platform	Both NBT & NBS
NEX 24	Paired pulse TMS	Platform	Future/protective*
NEX 26	TMS-EEG seizure monitor	Platform	Future/protective*
NEX 31	Multi-coil TMS device with single return line	NBT	Future/protective*
NEX 28	Coil positioning holder	NBT	Both NBT & NBS
NEX19, NEX22	Cumulative dose, heat map	NBT	Future/protective*
NEX10	Irregular sequence and biomarkers	NBT	Future/protective*
NEX8	Coils with electrically conducting structures	NBT	Future/protective*
NEX7	TMS stimulation triggered by EMG and coil position	NBT	Future/protective*
NEX2**	3D skull model and structures	NBT	Future/protective*
ILM4	Sham coil	NBT	Future/protective*
ILM3	Sound attenuated coil	NBT	Future/protective*
ILM2	TMS-EEG mapping device	NBS	NBS
ILM7	TMS with e-field mapping and navigation	NBS	Both NBT & NBS
NEX1	Standard head tracker	NBS	NBS
NEX17	Speech mapping	NBS	NBS
NEX25	DTI seed	NBS	NBS
NEX23	Microscope overlay	NBS	NBS
NEX3	TMS compatible EEG electrodes	NBS	Future/protective*
NEX16	On/offline co-registration	NBS	Future/protective*

\* *Future/protective = for future use or protective patent.*

\*\* *Joint ownership with Elekta Oy.*

## APPENDIX B - ARTICLES OF ASSOCIATION

*The following is an unofficial translation of the articles of association in Finnish. Only the Finnish-language will be registered with the Finnish Trade Register. In case of discrepancies between the Finnish-language original and the English-language translation, the Finnish-language text shall prevail.*

### **1 § Registered name and domicile**

The registered name of the company is Nexstim Oyj, in Swedish Nexstim Abp and in English Nexstim Plc. The domicile of the company is Helsinki.

### **2 § Line of business**

The line of business of the company is the development, production and sales of appliances for medical examinations, treatment, therapy and diagnostics as well as accessories and software relating thereto. The company may offer services relating to its line of business, and may also carry out research and development activities as well as licensing activities relating to its line of business. The company may also engage in the holding and trade of real property and securities.

The company may conduct its business directly on its own or through subsidiaries or associated companies.

### **3 § Board of directors and the managing director**

The board of directors comprises no fewer than three (3) and no more than nine (9) members. The term of office of each member of the board of directors ends at the adjournment of the first annual general meeting of shareholders following the election.

The general meeting of shareholders elects the chairman of the board of directors and the deputy chairman.

The company shall have a managing director. The managing director is elected by the board of directors.

### **4 § Representation rights**

The right to represent the company shall be vested with the chairman of the board of directors, members of the board of directors and the managing director, two of them acting jointly, as well as the persons authorised by the board of directors to represent the company, two of them acting jointly, or each such person acting together with the chairman of the board of directors, a member of the board of directors or the managing director.

The board of directors resolves on granting representation rights and procurations.

### **5 § Financial period**

The financial period of the company is the calendar year.

### **6 § Auditor**

The company has one (1) auditor, which must be an auditing firm certified by the Finland Chamber of Commerce.

The term of office of the auditor ends at the adjournment of the annual general meeting of shareholders first following the election.

### **7 § Notice to convene a general meeting of shareholders**

The notice to convene a general meeting of shareholders must be delivered to the shareholders by publishing the notice on the website of the company or otherwise in a verifiable manner no more than three (3) months and no less than three (3) weeks prior to the general meeting of shareholders, however, in any case, at least nine (9) days prior to the record date of the general meeting of shareholders pursuant to the Finnish Companies Act.

Where the board of directors so decides, a shareholder must register with the company in order to participate in the general meeting of shareholders. In such case, shareholders must register no later than on the date referred to in the notice convening the meeting, which date may be at the earliest ten (10) days prior to the general meeting of shareholders.

General meetings may be held in the City of Helsinki, Finland or the City of Stockholm, Sweden.



## **8 § Annual general meeting of shareholders**

The annual general meeting of shareholders shall be held each year within six (6) months from the end of the financial period of the company.

The meeting shall:

be presented with:

- the financial statements, which include the consolidated financial statements, and the report of the board of directors;
- the auditor's report;

resolve upon:

- the adoption of the financial statements;
- the use of profits shown on the balance sheet;
- the discharge of members of the board of directors and the managing director from liability;
- the remuneration of the members of the board of directors and the auditor;
- the number of the members of board of directors;

elect:

- the chairman and members of the board of directors, and
- the auditor.

If a vote is held at the general meeting of shareholders, the chairman of the general meeting of shareholders shall determine the voting procedures.

## **9 § Book-entry system**

The shares in the company shall be entered into the book-entry securities system after the end of the notification period.

## APPENDIX C - REPORT ON THE PRO FORMA FINANCIAL INFORMATION

### Auditor's report on pro forma financial information included in the prospectus

To the Board of Directors of Nexstim Plc

We have completed our assurance engagement to report on the compilation of pro forma financial information of Nexstim Plc. The pro forma financial information comprises pro forma balance sheet as at 30 June 2014 and related notes set out in section "Pro forma financial information" of the Prospectus issued by the company and dated 10 October 2014. The applicable basis used by the Board of Directors of Nexstim Plc in compiling the pro forma financial information is specified in Annex II of Commission Regulation (EC) No 809/2004 and described in the section "Pro forma financial information" of the Prospectus.

The pro forma financial information has been compiled by the Board of Directors of Nexstim Plc to illustrate the impact of Capital reorganisation measures set out in the section "Pro forma financial information" on Nexstim Plc's financial position as at 30 June 2014, as if Capital reorganisation measures had taken place at 30 June 2014 for the pro forma balance sheet. As part of this process, information about the company's financial position has been extracted by the Board of Directors of Nexstim Plc from the Nexstim Plc's interim report for the period ended 30 June 2014, on which no audit or review report has been published.

The Board of Director's responsibility for the pro forma financial information

The Board of Directors of Nexstim Plc is responsible for compiling the pro forma financial information in accordance with the Commission Regulation (EC) No 809/2004.

Auditor's responsibilities

Our responsibility is to express an opinion, as required by item 7 of Annex II of Commission Regulation (EC) No 809/2004, as to whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors of Nexstim Plc on the basis stated and whether that basis is consistent with the accounting policies applied by the issuer.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3420) *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance as to whether the pro forma financial information has been compiled by the Board of Directors, in all material respects, in accordance with Commission Regulation (EC) No 809/2004.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of the pro forma financial information included in a Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis stated and that basis is consistent with the accounting policies of the issuer involves performing procedures to assess whether the basis used by the Board of Directors in the compilation of the pro forma financial information

provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the basis stated has been consistently applied in the pro forma adjustments; and
- the resulting pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the auditor's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion            In our opinion,

- the pro forma financial information has been properly compiled on the basis stated in the section "Pro forma financial information" of the Prospectus dated 10 October 2014 and
- the basis stated is consistent with the accounting policies applied by the issuer.

Restriction to the distribution of the report:

This report has been issued solely for the purposes of including in the Prospectus prepared in accordance with Commission Regulation (EC) No 809/2004.

Helsinki 10 October 2014  
**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Martin Grandell  
Authorised Public Accountant

## APPENDIX D - AUDITOR'S REPORT ON PROFIT FORECAST

### Auditor's report on profit forecast included in the prospectus

To the Board of Directors of Nexstim Plc

We report in accordance with the Commission Regulation (EC) No 809/2004 Annex XXV item 13.2 on the profit forecast included in Nexstim Plc's Prospectus dated 10 October 2014 in section "Future prospects". The profit forecast is compiled by the management of Nexstim Plc and according to it Nexstim Plc's management estimates operating profit to be positive during second half of the financial year 2017 at earliest based on certain estimates and assumptions described in the prospectus.

#### Responsibility of the Board of Directors

The Board of Directors of Nexstim Plc is responsible for the compilation of the profit forecast including the principal assumptions upon which it is based in accordance with the Commission Regulation (EC) No 809/2004.

#### Auditor's responsibility

Our responsibility is to express an opinion as to whether the profit forecast has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast is consistent with the accounting policies of the issuer.

We conducted our work in accordance with the instructions issued by the Finnish Institute of Authorised Public Accountants "Profit forecast and estimate – instructions for the auditor". We have not performed an audit or a review on the profit forecast included in the Prospectus or on the information and assumptions used in the compilation of the profit forecast.

We planned and performed our work so that the evidence we have obtained is sufficient and appropriate to provide a reasonable assurance that the profit forecast has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast is consistent with the accounting policies of Nexstim Plc.

#### Opinion

In our opinion, the profit forecast has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast is consistent with the accounting policies of the issuer.

#### Qualifications and restriction on distribution and use of the report

Actual results may be different from the profit forecast since anticipated events frequently do not occur as expected and the variation may be material.

This report has been prepared solely to be included in the Prospectus prepared in accordance with the Commission Regulation (EC) No 809/2004.

Helsinki, 10 October 2014

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Martin Grandell  
Authorised Public Accountant

**APPENDIX E - FINANCIAL STATEMENTS AND HALF-YEARLY REPORT**

<b>CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012.....</b>	<b>F-2</b>
<b>AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEXSTIM PLC FOR FINANCIAL PERIODS ENDING 31 DECEMBER 2013 AND 31 DECEMBER 2012.....</b>	<b>F-15</b>
<b>HALF-YEARLY REPORT 1 JANUARY – 30 JUNE 2014 (UNAUDITED) .....</b>	<b>F-16</b>

## NEXSTIM GROUP

### CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012

EURO

<b>PROFIT AND LOSS STATEMENT</b>	Note	<b>1 January – 31 December 2013</b>	<b>1 January – 31 December 2012</b>
<b>NET SALES</b>	2	<b>1,871,027.41</b>	<b>3,190,428.17</b>
Work performed for own purpose and capitalised		33,187.00	48,473.00
Other operating income	3	75,120.02	472,654.43
<b>Materials and services</b>			
<b>Materials</b>			
Purchases during the financial year		-575,651.22	-827,282.65
Increase (+) decrease (-) in inventories		-85,220.02	27,988.92
External services		-112.00	-1,108.00
<b>Total</b>		<b>-660,983.24</b>	<b>-800,401.73</b>
<b>Personnel expenses</b>	4		
Wages and salaries		-2,558,887.20	-2,589,810.05
<b>Social security expenses</b>			
Pension expenses		-309,228.17	-358,562.50
Other social security expenses		-175,246.40	-134,276.25
<b>Total</b>		<b>-3,043,361.78</b>	<b>-3,082,648.80</b>
<b>Depreciation and amortisation</b>			
Depreciation and amortisation according to plan		-237,712.69	-305,892.63
<b>Total</b>		<b>-237,712.69</b>	<b>-305,892.63</b>
Other operating expenses	5	-2,472,008.39	-2,140,303.92
<b>OPERATING PROFIT / -LOSS</b>		<b>-4,434,731.67</b>	<b>-2,617,691.48</b>
Financial income and expenses	6		
Other interest income and other financial income		398.09	2,476.94
Interest and other financial expenses		-80,603.58	-83,748.30
<b>Total</b>		<b>-80,205.49</b>	<b>-81,271.36</b>
<b>PROFIT / -LOSS FOR THE FINANCIAL YEAR</b>		<b>-4,514,937.16</b>	<b>-2,698,962.84</b>

EURO

<b>BALANCE SHEET</b>	<b>Note</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>	7		
Development expenditure		107,745.32	154,532.47
Intangible rights		323,634.86	258,504.61
<b>Total</b>		<b>431,380.18</b>	<b>413,037.08</b>
<b>Tangible assets</b>	8		
Machinery and equipment		55,646.77	72,782.98
<b>Total</b>		<b>55,646.77</b>	<b>72,782.98</b>
<b>Investments</b>			
Other shares and similar rights of ownership	9	10,000.00	10,000.00
<b>Total</b>		<b>10,000.00</b>	<b>10,000.00</b>
<b>NON-CURRENT ASSETS TOTAL</b>		<b>497,026.95</b>	<b>495,820.06</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables		336,488.69	393,317.71
<b>Total</b>		<b>336,488.69</b>	<b>393,317.71</b>
<b>Receivables</b>			
Trade receivables		871,329.20	909,536.75
Prepayments and accrued income	10	162,972.06	106,758.38
Other receivables		169,603.23	102,978.58
<b>Total</b>		<b>1,203,904.48</b>	<b>1,119,273.71</b>
Cash in hand and at banks		1,009,982.47	1,954,531.40
<b>CURRENT ASSETS TOTAL</b>		<b>2,550,375.64</b>	<b>3,467,122.82</b>
<b>ASSETS TOTAL</b>		<b>3,047,402.60</b>	<b>3,962,942.88</b>

EURO

<b>BALANCE SHEET</b>	<b>Note</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
	11		
Share capital		28,570,652.72	28,570,652.72
Share issue		1,775,332.90	0.00
Share premium account		63,230.00	63,230.00
Reserve for invested unrestricted equity		86.97	86.97
Retained earnings / -loss		-28,276,462.16	-25,630,198.66
Profit / -loss for the financial year		-4,514,937.16	-2,698,962.85
<b>TOTAL EQUITY</b>		<b>-2,382,096.73</b>	<b>304,808.18</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Capital loans	12	1,503,098.88	500,000.00
Other interest-bearing loans	13	2,604,419.25	1,774,181.25
Deferred income	13	94,400.00	118,000.00
<b>Total</b>		<b>4,201,918.13</b>	<b>2,392,181.25</b>
<b>CURRENT LIABILITIES</b>			
Other interest-bearing loans		0.00	306,980.00
Deferred income		45,000.00	0.00
Trade payables		739,020.98	329,142.62
Other liabilities		96,868.35	76,783.95
Accrued expenses	14	346,691.86	553,046.88
<b>Total</b>		<b>1,227,581.19</b>	<b>1,265,953.45</b>
<b>TOTAL LIABILITIES</b>		<b>5,429,499.32</b>	<b>3,658,134.70</b>
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>3,047,402.60</b>	<b>3,962,942.88</b>



## 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 statements

These consolidated financial statements as at and for the years ended 31 December 2013 and 31 December 2012 have been compiled solely for inclusion in this Prospectus using consolidated financial information from the Company's audited statutory financial statements as at and for the years ended 31 December 2013 and 31 December 2012. In these consolidated financial statements the presentation of income statements have been changed for line items "work performed for own purpose and capitalised" and "other operating expenses" compared to the audited statutory financial statements as at and for the years ended 31 December 2013 and 31 December 2012. The changes do not affect consolidated net sales, operating profit / -loss or balance sheet compared to the audited statutory financial statements.

In addition, 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 and 10. Stock options

#### 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 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

	<b>2013</b>	<b>2012</b>
NBS Systems	1,656,596.03	2,926,182.04
Other	214,431.38	264,246.13
<b>Total</b>	<b>1,871,027.41</b>	<b>3,190,428.17</b>

<b>Net Sales by geographical area</b>	<b>2013</b>	<b>2012</b>
Finland	282,440.00	33,140.00
Rest of Europe*	859,487.41	1,344,804.00
USA	729,100.00	1,164,496.17
Other	-	657,988.00
<b>Total</b>	<b>1,871,027.41</b>	<b>3,190,428.17</b>

\* including Russia

### 3. OTHER OPERATING INCOME

	<b>2013</b>	<b>2012</b>
Other income	9,649.02	13,985.68
Government grants	65,471.00	458,668.75
<b>Total</b>	<b>75,120.02</b>	<b>472,654.43</b>

### 4. PERSONNEL EXPENSES

	<b>2013</b>	<b>2012</b>
Wages and salaries	-2,558,887.20	-2,589,810.05
Pension expenses	-309,228.17	-358,562.50
Other social security expenses	-175,246.40	-134,276.25
<b>Total</b>	<b>-3,043,361.78</b>	<b>-3,082,648.80</b>

	<b>2013</b>	<b>2012</b>
Average number of personnel	28	32

<b>Salaries and bonuses of directors</b>	<b>2013</b>	<b>2012</b>
CEO	190,383.66	82,245,72*
Board of Directors	65,666,67	52,650,00
<b>Total</b>	<b>256,050,33</b>	<b>134,895,72</b>

\* The CEO of the company resigned in February 2012, after which the company had a deputy CEO until the end of 2012. The reported amount does not include salaries and bonuses paid to the deputy CEO.

## 5. OTHER OPERATING EXPENSES

	<b>2013</b>	<b>2012</b>
Legal and consulting services	-284,950.44	-411,385.36
Development expenses	-429,114.00	-353,126.00
Travel expenses	-413,816.00	-332,065.00
Premise costs	-156,841.00	-146,692.00
Voluntary social costs	-111,230.00	-104,490.00
Marketing expenses	-212,705.00	-93,949.00
Other	-863,351.95	-698,596.56
<b>Total</b>	<b>-2,472,008.39</b>	<b>-2,140,303.92</b>

## Auditor's fees

	<b>2013</b>	<b>2012</b>
Audit	12,929.50	9,467.00
<b>Total</b>	<b>12,929.50</b>	<b>9,467.00</b>

## 6. FINANCIAL INCOME AND EXPENSES

	<b>2013</b>	<b>2012</b>
Other interest income and other financial income	398.09	2,476.94
Interest and other financial expenses	-80,603.58	-83,748.30
<b>Total</b>	<b>-80,205.49</b>	<b>-81,271.36</b>

## NOTES FOR BALANCE SHEET

### 7. INTANGIBLE ASSETS

<b>Development costs</b>	<b>2013</b>	<b>2012</b>
1 January	154,532.47	277,539.67
Increase	33,187.00	48,473.00
Planned depreciation	-79,974.15	-171,480.20
<b>31 December</b>	<b>107,745.32</b>	<b>154,532.47</b>

<b>Intangible rights (Patents)</b>	<b>2013</b>	<b>2012</b>
1 January	258,504.61	222,207.10
Increases	200,826.68	145,116.84
Planned depreciation	-135,696.43	-108,819.33
<b>31 December</b>	<b>323,634.86</b>	<b>258,504.61</b>

### 8. TANGIBLE ASSETS

<b>Machinery and equipment</b>	<b>2013</b>	<b>2012</b>
1 January	72,782.98	75,285.25
Increase	4,905.90	23,090.82
Planned depreciation	-22,042.11	-25,593.10
<b>31 December</b>	<b>55,646.77</b>	<b>72,782.98</b>

### 9. OTHER SHARES AND SIMILAR RIGHTS OF OWNERSHIP

#### Holdings in group undertakings

<b>Name</b>	<b>Domicile</b>	<b>%</b>
Nexstim Inc.	United States of America	100 %
Nexstim Ltd.	England	100 %
Nexstim Germany GmbH	Germany	100 %

#### Other shares

<b>Name</b>	<b>amount of shares</b>	<b>book value</b>
SalWe OY, Helsinki (T&H SHOK), (business ID 2283290-8)	200 / 1.92 %	10,000.00

### 10. PREPAYMENTS AND ACCRUED INCOME

	<b>2013</b>	<b>2012</b>
Wage and salary receivables	69,935.68	45,216.62
TeKes grants	47,686.50	-
Other prepayments and accrued income	45,349.88	61,541.76
<b>Total</b>	<b>162,972.06</b>	<b>106,758.38</b>

### 11. EQUITY

	<b>2013</b>	<b>2012</b>
Share capital 1 January	28,570,652.72	28,570,652.72
<b>Share capital 31 December</b>	<b>28,570,652.72</b>	<b>28,570,652.72</b>

Share issue 1 January	-	-
Additions	1,775,332.90	-
<b>Share issue 31 December</b>	<b>1,775,332.90</b>	<b>-</b>
Share premium account 1 January	63,230.00	63,230.00
<b>Share premium account 31 December</b>	<b>63,230.00</b>	<b>63,230.00</b>
<b>Total restricted equity</b>	<b>30,409,215.62</b>	<b>28,633,882.72</b>
Reserve for invested unrestricted equity 1 January	86.97	86.97
<b>Reserve for invested unrestricted equity 31 December</b>	<b>86.97</b>	<b>86.97</b>
Retained earnings / -loss 1 January	-28,329,161.51	-25,640,881.71
Adjustments for previous years	-1,435.72	-3,847.79
Translation difference	54,135.07	14,530.84
Profit / -loss for the period	-4,514,937.16	-2,698,962.85
<b>Retained earnings / -loss 31 December</b>	<b>-32,791,399.32</b>	<b>-28,329,161.51</b>
<b>Total unrestricted equity</b>	<b>-32,791,312.35</b>	<b>-28,329,074.54</b>
<b>Total equity</b>	<b>-2,382,096.73</b>	<b>304,808.18</b>

Distributable funds: There are no distributable funds in Nexstim Oy.

## 12. CAPITAL LOANS

	2013	2012
1 January	500,000.00	500,000.00
Increase	1,003,098.88	-
<b>31 December</b>	<b>1,503,098.88</b>	<b>500,000.00</b>

### CAPITAL LOAN FROM SHAREHOLDERS

The creditors of the capital loan granted in 2013 are company's shareholders.

The subscription price of the capital loan, EUR 1,003,098.88, has been booked to the balance sheet. The principal amount to be repaid is EUR 3,009,296.64.

The main terms of the capital loan are:

- The subscription price is 1/3 of the loan capital.
- The interest rate is 10 % p.a. The interest is due annually on July 1<sup>st</sup>, taking into consideration the limitations set out in Limited Liability Companies Act in Finland.
- The due date for the capital loan is 31 December 2018.
- There is no collateral for the loan.
- 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.
- Subject to the requirements imposed by the Companies act, in the event of the liquidation of the Company, a sale of all or a majority of shares, a public offering of shares or a merger, the loan shall fall immediately due and payable by the Company.

- The accrued interest in accordance with the loan terms has not been recognised as an interest expense for financial year 2013. The amount of accrued interest is EUR 150,877.06 as at 31 December 2013.

#### CAPITAL LOAN FROM TEKES

Main terms of the capital loan granted by Tekes are:

- Interest rate is one 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 8 (eight) years, of which first 5 (five) years are free of repayment
- There is no collateral for the loan.
- The accrued interest in accordance with the Tekes loan terms has not been recognised as an interest expense for financial year 2013.

	EUR
Accrued Interest 31 December 2013	177,512
Accrued Interest 31 December 2012	162,512

### 13. NON-CURRENT LIABILITIES

<b>Non-current liabilities</b>	<b>2013</b>	<b>2012</b>
Capital loans	1,503,098.88	500,000.00
Product development loans from TEKES	2,604,419.25	1,774,181.25
Deferred income	94,400.00	118,000.00
<b>Total</b>	<b>4,201,918.13</b>	<b>2,392,181.25</b>

<b>Maturity of interest-bearing liabilities</b>	<b>2013</b>	<b>2012</b>
Interest-bearing liabilities total	4,107,518.38*	2,581,161.50
Due later than 5 years	875,009.00	1,191,249.00

\*The balance includes the subscription price EUR 1,003.1 thousand of the capital loan that has been granted by certain shareholders, but excludes the amount below par value of EUR 2,006.2 thousand. The principal amount to be repaid for the capital loan is EUR 3,009.3 thousand, which is due 31 December 2018.

### 14. ACCRUED EXPENSES

	<b>2013</b>	<b>2012</b>
Holiday accrual	296,245.13	301,893.60
Accrued interest	11,483.50	9,060.86
Other accrued expenses	38,963.23	242,092.42
<b>Total</b>	<b>346,691.86</b>	<b>553,046.88</b>

### 15. COMMITMENTS

<b>Leasing liabilities</b>	<b>2013</b>	<b>2012</b>
Due within next financial year	59,352.94	52,403.28
Due later	2,629.98	5,742.00
<b>Total</b>	<b>61,982.92</b>	<b>58,145.28</b>

### 16. GUARANTEES

	<b>2013</b>	<b>2012</b>
Rent deposits	30,980.20	30,980.20
<b>Total</b>	<b>30,980.20</b>	<b>30,980.20</b>

## 17. SHARES OF THE COMPANY

Shares of the Company consists of following share classes

	2013 (pcs)	2012 (pcs)
A (1 vote/share)	30,206	30,206
B (1 vote/share)	8,383	8,383
C (1 vote/share)	90,065	90,065
D (1 vote/share)	60,887	60,887
E (1 vote/share)	38,245	-
N (0 vote/share)	-	-
S (1 vote/share)	-	-
	<b>227,786</b>	<b>189,541</b>

### Basic terms of shares:

In the event of liquidation, voluntary or compulsory, the following order of preference is followed when distributing assets:

- i) The holders of S-shares are entitled to 2.5-6.0 % of the distributable assets up to EUR 119,999,999.99. If the distributable sum exceeds EUR 120,000,000.00, the exceeding sum is divided by the amount of S-shares and distributed to the holders of S-shares.
- ii) The holders of E-shares are entitled to a sum that is equivalent to the twice the amount of subscription price of E-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of E-shares.
- iii) The holders of D-shares are entitled to a sum that is in line with the subscription price of D-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of D-shares.
- iv) The holders of the C-shares are entitled to a sum that is in line with the subscription price of C-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of C-shares.
- v) The holders of B-shares are entitled to a sum that is in line with the subscription price of B-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of B-shares.
- vi) The holders of E-shares are entitled to a sum that is in line with the subscription price of E-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of E-shares.
- vii) The holders of D-shares are entitled to a sum that is in line with the subscription price of D-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of D-shares.
- viii) The holders of C-shares are entitled to a sum that is in line with the subscription price of C-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of C-shares.
- ix) The holders of B-shares are entitled to a sum that is in line with the subscription price of B-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of B-shares.
- x) The holders of E-shares are entitled to a sum that is in line with the subscription price of E-shares. If the distributable sum does not cover this, the assets are distributed on pro rata basis to the holders of E-shares.
- xi) The remaining distributable assets are distributed on pro rata basis to all share classes, excluding S-shares.



## 18. DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the loss for the financial year, EUR 4,514,937.16, will be transferred to the retained losses account and no dividends shall be paid.

## 19. STOCK OPTIONS

Currently the company has three stock option incentive schemes; 2010A, 2011A and 2013A. The stock options will be 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.

<b>Option scheme</b>	<b>Subscription price/share</b>	<b>Maximum amount of option rights</b>	<b>Subscription period</b>
2010A	EUR 0.01	10,256.00 shares	19.6.2010-31.12.2016
2011A	EUR 0.01	21,000.00 shares	19.4.2011-31.12.2016
2013A	EUR 0.01	80,000.00 shares	1.12.2013-31.12.2020

<b>Holdings of the Board of Directors and management team</b>	<b>(%)</b>
Ownership based on proportion of total number of issued shares	2.02
Ownership based on proportion of total number of issued shares and option rights*	3.87
Proportion of votes based on ownership of shares	2.02
Proportion of votes based on ownership of shares and option rights*	3.87

\*Assuming that all stock options are exercised

### **Board of Director's authorisation to increase the share capital**

The Annual General Meeting has authorised the Board of Directors on the 9 October 2013 to make a decision on a share issue no later than 31 December 2014. The authorisation allows the Board of Directors to issue a maximum of 58,850 pcs of E-shares.

The Annual General Meeting has authorised the Board of Directors on the 9 October 2013 to make a decision on a share issue no later than 30 June 2015. The authorisation allows the Board of Directors to issue a maximum of 134,640 pcs of E-shares.

The Annual General Meeting has authorised the Board of Directors on the 9 October 2013 to make a decision on a share issue no later than 31 December 2014. The authorisation allows the Board of Directors to issue a maximum of 64,627 pcs of E-shares.

## 20. COMPOSITION OF THE BOARD OF DIRECTORS

Nexstim's annual general meeting of shareholders held on 27 March 2013 elected the following persons as the members of the Board of Directors; Pekka Puolakka and his personal deputy member Markku Lahdenpää, Juha Vapaavuori and his personal deputy member Lari Rajantie, Johan Christenson and his personal deputy member David Bejker, René Kuijten and his personal deputy member Anne Portwitch, Casper Breum and his personal deputy member Johan Kördel, Frank Bulens and his personal deputy member Jos Peeters, Olli Riikkala and Timothy Irish. Timothy Irish was elected as the Chairman of The Board. The Board of Directors elected in annual general meeting in 2013 had 7 meetings and in total there were 11 Board meetings during the financial year.

Frank Bulens resigned from The Board of Directors on 9 October 2013. Katya Smirnyagina replaced Frank Bulens as a member to the Board of Directors on Nexstim Oy's shareholder's unified resolution on 9 October 2013. With the same resolution Ken Charhut was elected as a member to Board of Directors.

At the beginning of the financial period, the Company did not have an appointed Managing Director. The Board of Directors appointed Janne Huhtala as the Managing Director on 22 January 2013.

#### **APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The board of directors of the Company has approved the consolidated financial statements compiled for the purpose of including in the Prospectus and the supplements as described in section "Supplements to the consolidated financial statements" of the accounting principles to the consolidated financial statements in their meeting on 9 October 2014.

The consolidated financial statements for financial period ending 31 December 2013 has been approved and signed by Timothy Irish, chairman of the board of directors and members of the board of directors: Casper Breum, Kenneth Charhut, Johan Christenson, René Kuijten, Pekka Puolakka, Olli Riikkala, Juha Vapaavuori, Ekaterina Smirnyagina and CEO Janne Huhtala on 14 March 2014.

The consolidated financial statements for financial period ending 31 December 2012 has been approved and signed by Timothy Irish, Chairman of the board of directors and members of the board of directors: Casper Breum, Frank Bulens, Johan Christenson, René Kuijten, Pekka Puolakka, Olli Riikkala, Juha Vapaavuori and CEO Janne Huhtala on 12 March 2013.

## AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEXSTIM PLC FOR FINANCIAL PERIODS ENDING 31 DECEMBER 2013 AND 31 DECEMBER 2012

To the Board of Directors of Nexstim Plc

We have audited the accompanying consolidated financial statements of Nexstim Plc and its subsidiaries, which comprise of consolidated income statement for the years ended 31 December 2013 and 31 December 2012 and consolidated balance sheets as at 31 December 2013 and 31 December 2012 and notes to the consolidated financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of the consolidated financial statements in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion** In our opinion, the consolidated financial statements give a true and fair view of the financial position of Nexstim Plc and its subsidiaries as at 31 December 2013 and 31 December 2012 and of their financial performance for the years ended 31 December 2013 and 31 December 2012 in accordance with the laws and regulations governing the preparation of the financial statements in Finland.

**Other matter** Our auditor's report has been prepared for the purpose of including it in the Prospectus. The consolidated financial statements have been compiled using consolidated financial information from the Company's statutory financial statements as at and for the years ended 31 December 2013 and 31 December 2012 for which our auditor's reports have been issued on 19 March 2014 and 14 March 2013. The consolidated financial statements have been supplemented as described by section "Supplements to the consolidated financial statements" of the accounting principles to the consolidated financial statements. The consolidated financial statements compiled for the prospectus and this auditor's report do not reflect the effects of events that occurred subsequent to the dates of our auditor's reports on those statutory financial statements.

Helsinki, 19 March 2014, 14 March 2014 and related to the Other matter 10 October 2014

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Martin Grandell  
Authorised Public Accountant

## HALF-YEARLY REPORT 1 JANUARY – 30 JUNE 2014 (UNAUDITED)

### Nexstim started Phase III multi-centre trial for NBT System

#### Key performance indicators

EUR in thousands	1-6/2014 6 months	1-6/2013 6 months	1-12/2013 12 months
Net sales	413.9	499.3	1,871.0
Personnel expenses	-1,641.9	-1,550.9	-3,043.4
Depreciation and amortisation	-125.3	-141.7	-237.7
Other operating expenses	-1,672.3	-1,068.3	-2,472.0
Profit/ -Loss for the period	-5,127.3	-2,548.2	-4,514.9
Earnings per share (EUR)	20,15	-13,44	-22,84
Cash flows from operating activities	-2,508.1	-1,859.2	-3,983.7
Cash in hand and at banks	1,522.1	968.5	1,010.0
Total equity	-4,077.3	-1,290.3	-2,382.1
Equity ratio (%)	-87,19	-41,56	-30,23
Number of shares in the end of the period (pcs)	263,235	189,541	227,786
Average number of shares during the period (pcs)	254,422	189,541	197,714
Diluted number of shares in the end of the period (pcs)	286,924	204,716	242,961
Diluted average number of shares during the period (pcs)	274,065	204,716	212,889

#### Status of development projects

Nexstim's NBT System is in the development phase. The Company is currently building clinical evidence by conducting a clinical Phase III multi-centre trial to demonstrate the effectiveness of the therapy treatment using NBT System. The clinical evidence is assumed to be ready by the end of 2016.

#### Financial review for the half-year period ended 30 June 2014

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 were EUR 413.9 thousand (499.3). Decrease in Net sales was mainly due to weaker sales of NBS Systems during first half of 2014 that was mainly due to customer orders being postponed to second half of 2014. The Company has made changes in its US sales organisation during beginning of 2014 and this is expected to improve sales activity towards the end of the year 2014.

##### Work performed for own purpose and capitalised

Work performed for own purpose and capitalised was EUR 17.5 (16.7) which consists of capitalised development costs.

##### Other operating income

Other operating income was EUR 28.7 thousand (12.5). Other operating income consists mainly of grants by Tekes.

##### Materials and services

Materials and services expenses totalled EUR 125.0 thousand (311.5). The decrease was mainly due to lower amount of NBS Systems delivered to customers.

##### Personnel expenses

Personnel expenses totalled EUR 1,641.9 thousand (1,550.9). The increase was mainly due to increase in personnel and adjustments in individual salary levels.

### *Depreciation and amortisation*

Depreciation and amortisation amounted to EUR 125.3 thousand (141.7).

### *Other operating expenses*

Other operating expenses totalled EUR 1,672.3 thousand (1,068.3). The increase was mainly due to increase in expenses related to Phase III multi-centre trial.

### *Operating profit (loss)*

Operating loss was EUR 3,104.3 (2,543.9).

### *Financial income and expenses in total*

Net financial income and expenses amounted to an expense of EUR 2,023.0 thousand (4.4). The increase in net expense primarily related to recognised financial expenses on the capital loan from the shareholders. The subscription price of the loan amounted to EUR 1,003.1 thousand and the principal amount of the loan totalled to EUR 3,009.3 thousand. The amount below par value, EUR 2,006.2 thousand, has been recognised as interest and other financial expense in the profit and loss account for the six month period ended 30 June 2014 based on the loan term according to which the loan shall fall immediately due and payable by the company in the event of a public offering.

### *Profit/loss for the financial period*

The loss for the period was EUR 5,127.3 thousand (2,548.2).

## ***Financial position***

### *Non-current assets*

The Company's non-current assets were EUR 1,035.0 thousand (31 December 2013: 497.0). Intangible assets amounting to EUR 465.0 thousand on 30 June 2014 consist mainly of intangible assets related to capitalised development expenses and intellectual property rights. The tangible assets amounting to EUR 560.1 thousand on 30 June 2014 consist mainly of Phase III trial equipment. The increase in tangible assets compared to 31 December 2013 was mainly due to Phase III trial equipment that were capitalised during the first half of 2014.

### *Current assets*

The Company's current assets totalled EUR 2,011.8 thousand (31 December 2013: 2,550.4). The decrease was mainly due to decrease in inventories and trade receivables.

### *Equity*

Consolidated shareholders' equity totalled EUR -4,077.3 thousand (31 December 2013: -2,382.1). The decrease was driven mainly by loss of the period.

As at 30 June 2013, the Group's parent company's subscribed share capital, including share issue, was EUR 33,803.8 thousand, total shareholders' equity was EUR -573.9 thousand and capital loans were EUR 1,503.1 thousand. Thus, shareholders' equity and capital loans added up to EUR 929.2 thousand. The Company does not have funds that could be used for profit distribution.

### *Liabilities*

#### *Non-Current Liabilities*

The non-current liabilities of the Company consist of capital loans, other interest-bearing loans and deferred income. The Company's non-current liabilities totalled EUR 4,415.9 thousand as at 30 June 2014 (31 December 2013: 4,201.9). The increase of EUR 214.0 thousand was due to an increase in capital loans and other-interest bearing loans.

### *Current Liabilities*

The current liabilities mainly consist of trade payables, other current liabilities, accrued expenses and deferred income. The Company's current liabilities totalled EUR 2,711.3 thousand (31 December 2013: 1,227.6). The increase of EUR 1,483.7 thousand was mainly due to the recognition of a liability of EUR 2,006.2 thousand related to conversion of capital loan into equity. The subscription price of the loan was EUR 1,003.1 thousand and the principal was EUR 3,009.3 thousand. The amount below par value, EUR 2,006.2 thousand, is recorded as other current liabilities as at 30 June 2014 based on a loan term, according to which the loan falls due for payment in the event of a public offering. Conversion of the loan into subscribed share capital is planned to be approved by EGM in September 2014.

### ***Financing and liquidity***

Liquid assets, consisting of cash in hand and at banks, totalled EUR 1,522.1 thousand (31 December 2013: 1,010.0 thousand).

The Company's net cash outflow from operating activities during the reporting period was EUR -2,508.1 thousand (-1,859.2). The change compared to the corresponding period in the previous year was mainly due to Phase III trial expenses during first half of 2014.

Net cash flow from investments was EUR -663.3 thousand during the reporting period (-91.0). The change compared to the corresponding period in the previous year was mainly due to investment in Phase III trial equipment during first half of 2014.

Net cash flow from financing activities was EUR 3,683.5 thousand during the reporting period (964.2). Financing through share issues amounted to EUR 3,457.8 thousand in the six month period ended 30 June 2014.

In September 2014 Nexstim has announced its intention to proceed with an Initial Public Offering of Nexstim on NASDAQ OMX First North Finland and NASDAQ OMX First North Sweden ("Admission"). It is expected that the Admission will occur in the 4th Quarter of 2014.

### **Events after the review period**

Company had a directed share issue in July 2014. Company issued 1.458 new shares to existing shareholders and raised EUR 67.7 thousand as subscribed share capital.

Certain shareholders of the Company subscribed new capital loan to finance the Company. The subscription amounted to EUR 1,350.0 thousand.

Company has received a first order for a NBT System from a private rehabilitation center in Finland in September 2014.

### **Publication of financial information**

Financial statements release for the year ending 31 December 2014 will be published on or about 26 February 2015.

### **Basis of preparation of the half-year report**

This Nexstim Oy's half-yearly report has been prepared in accordance with the Finnish Accounting Regulation and presented in accordance with the rules First North marketplace. The information contained in the half-yearly report is not audited. The figures presented have been subject to rounding adjustments.

### ***Going concern***

This half-yearly report has been made according to the going concern principle taking into account the contemplated share issue and initial public offering, the directed share issue and new capital loan with certain shareholders carried out after the reporting period, contemplated conversion of capital loan into equity and business forecasts made up to the end of year 2015. The forecasts take into consideration probable or foreseeable changes in future expectations in revenues as well as in expected costs.

Historically, the Company's operations have been loss-making as a result of the research and development expenses related to NBT and NBS systems. Company's objective is to continue the research and development activities related to these devices, specifically to obtain an FDA clearance to sell and market the NBT System. In addition, the Company will continue its pre-commercialisation plan of the NBS System.

The Company is of the opinion, that it does not have sufficient working capital for its current needs for a period of at least 12 months as of the date of this half-yearly report. As a result of this, the Company has taken measures to assure sufficient amount of working capital. Such measures include the negotiation of a new capital loan agreement with certain shareholders of the Company and preparation of the contemplated share issue and listing to the First North Finland and First North Sweden marketplaces. If the contemplated share issue will realise with the planned scale, the proceeds to be received will be sufficient to fulfill the deficiency of the working capital and the Company will have sufficient working capital for its operations over the next 12 months. In addition the Company may seek additional debt and equity financing or adjust its structure of costs.

Helsinki 24 September 2014

Nexstim Oy

Board of Directors

## CONSOLIDATED INCOME STATEMENT

Thousand euro	1 January -30 June 2014	1 January -30 June 2013	1 January -31 December 2013
<b>NET SALES</b>	413.9	499.3	1,871.0
Work performed for own purpose and capitalised	17.5	16.7	33.2
Other operating income	28.7	12.5	75.1
Materials and services			
Materials			
Purchases during the financial year	34.0	-165.9	-575.7
Variation in inventories additions(+) /disposal (-)	-158.9	-145.6	-85.2
Services	-	-	-0.1
Total	-125.0	-311.5	-661.0
Personnel expenses			
Wages and salaries	-1,307.7	-1,293.9	-2,558.9
Social security expenses			
Pension expenses	-157.4	-166.9	-309.2
Other social security expenses	-176.8	-90.1	-175.2
Total	-1,641.9	-1,550.9	-3,043.4
Depreciation and amortisation			
Depreciation and amortisation according to plan	-125.3	-141.7	-237.7
Total	-125.3	-141.7	-237.7
Other operating expenses	-1,672.3	-1,068.3	-2,472.0
<b>OPERATING PROFIT / -LOSS</b>	<b>-3,104.3</b>	<b>-2,543.9</b>	<b>-4,434.7</b>
Financial income and expenses			
Other interest income and other financial income	0.0	0.4	0.4
Interest and other financial expenses	-2,023.0	-4.7	-80.6
Total	-2,023.0	-4.4	-80.2
<b>PROFIT / -LOSS FOR THE FINANCIAL YEAR</b>	<b>-5,127.3</b>	<b>-2,548.2</b>	<b>-4,514.9</b>



## CONSOLIDATED BALANCE SHEET

Thousand euro	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>31 December 2013</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Development expenditure	98.9	94.6	107.7
Intangible rights	366.1	274.6	323.6
Total	465.0	369.2	431.4
<b>Tangible assets</b>			
Machinery and equipment	560.1	65.9	55.6
Total	560.1	65.9	55.6
<b>Investments</b>			
Other shares and similar rights of ownership	10.0	10.0	10.0
Total	10.0	10.0	10.0
<b>NON-CURRENT ASSETS TOTAL</b>	<b>1,035.0</b>	<b>445.1</b>	<b>497.0</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables	177.6	276.1	336.5
Total	177.6	276.1	336.5
<b>Receivables</b>			
Trade receivables	197.9	217.4	871.3
Prepayments and accrued income	39.5	33.4	163.0
Other receivables	77.7	78.8	169.6
Total	315.1	329.6	1,203.9
Cash in hand and at banks	1,522.1	968.5	1,010.0
<b>CURRENT ASSETS TOTAL</b>	<b>2,014.8</b>	<b>1,574.2</b>	<b>2,550.4</b>
<b>ASSETS TOTAL</b>	<b>3,049.9</b>	<b>2,019.3</b>	<b>3,047.4</b>

Thousand euro

	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>31 December 2013</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	31,991.5	28,570.7	28,570.7
Share issue	1,812.2	964.2	1,775.3
Share premium account	63.2	63.2	63.2
Reserve for invested unrestricted equity	0.1	0.1	0.1
Retained earnings / -loss	-32,817.1	-28,340.2	-28,276.5
Profit / -loss for the financial year	-5,127.3	-2,548.2	-4,514.9
<b>TOTAL EQUITY</b>	<b>-4,077.3</b>	<b>-1,290.3</b>	<b>-2,382.1</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT</b>			
Capital loans	1,503.1	500.0	1,503.1
Other interest-bearing loans	2,830.2	2,081.2	2,604.4
Deferred income	82.6	118.0	94.4
Total	4,415.9	2,699.2	4,201.9
<b>CURRENT</b>			
Deferred income	15.0	-	45.0
Trade payables	402.9	266.6	739.0
Other liabilities	2,093.9	150.9	96.9
Accrued expenses	199.5	193.0	346.7
Total	2,711.3	610.4	1,227.6
<b>TOTAL LIABILITIES</b>	<b>7,127.2</b>	<b>3,309.6</b>	<b>5,429.</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>3,049.9</b>	<b>2,019.3</b>	<b>3,047.4</b>

**CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

	<b>Share capital</b>	<b>Share issue</b>	<b>Share premium account</b>	<b>Reserve for invested unrestricted equity</b>	<b>Retained earnings</b>	<b>Equity total</b>
Equity on 31 December, 2012	28,570.7	0.0	63.2	0.1	-28,329.2	304.8
Profit / -loss for the period					-2,548.2	-2,548.2
Issue of shares		964.2				964.2
Translation difference					-11,0	-11,0
Equity on 30 June, 2013	28,570.7	964.2	63.2	0.1	-30,888.4	-1,290.3

	<b>Share capital</b>	<b>Share issue</b>	<b>Share premium account</b>	<b>Reserve for invested unrestricted equity</b>	<b>Retained earnings</b>	<b>Equity total</b>
Equity on 31 December, 2012	28,570.7	0.0	63.2	0.1	-28,329.2	304.8
Profit / -loss for the period					-4,514.9	-4,514.9
Issue of shares		1,775.3				1,775.3
Translation difference					54.1	54.1
Adjustments for previous years					-1.4	-1.4
Equity on 31 December, 2013	28,570.7	1,775.3	63.2	0.1	-32,791.4	-2,382.1

	<b>Share capital</b>	<b>Share issue</b>	<b>Share premium account</b>	<b>Reserve for invested unrestricted equity</b>	<b>Retained earnings</b>	<b>Equity total</b>
Equity on 31 December, 2013	28,570.7	1,775.3	63.2	0.1	-32,791.4	-2,382.1
Profit / -loss for the period					-5,127.3	-5,127.3
Issue of shares	3,420.9	36.9				3,457.8
Translation difference					-25.7	-25.7
Equity on 30 June, 2014	31,991.5	1,812.2	63.2	0.1	-37,944.0	-4,077.0

## CONSOLIDATED CASH FLOW STATEMENT

EUR in thousands	1 January - 30 June 2014	1 January - 30 June 2013	1 January – 31 December 2013	1 January - 31 December 2012
<b>Cash flows from operating activities</b>				
<b>Profit / -Loss for the financial period</b>	-5,127.3	-2,548.2	-4,515.0	-2,699.0
Adjustments:				
Depreciation and amortisation according to plan	125.3	141.7	237.7	305.9
Other adjustments (income -/ expense +)	-	-	52.7	13.0
Financial income and expenses	2,023.0	4.4	80.2	81.3
<b>Cash flows before change in working capital</b>	-2,979.0	-2,402.2	-4,144.3	-2,298.8
<b>Change in working capital:</b>				
Increase (-) or decrease (+) in current receivables	890.1	789.7	-84.6	-691.9
Increase (-) or decrease (+) in inventories	158.9	117.2	56.8	-28.0
Increase (+) or decrease (-) in current interest-free payables	-561.3	-359.6	268.6	24.5
<b>Cash flows from operations before financial items and taxes</b>	-2,491.3	-1,854.9	-3,903.5	-2,994.2
Interest and other financial expenses paid	-16.8	-4.4	-80.6	-81.3
<b>Cash flows from operating activities (A)</b>	<b>-2,508.1</b>	<b>-1,859.2</b>	<b>-3,983.7</b>	<b>-3,075.5</b>
<b>Cash flows from investing activities</b>				
Investments in intangible and tangible assets	-663.3	-91.0	-238.9	-216.7
<b>Cash flows from investments (B)</b>	<b>-663.3</b>	<b>-91.0</b>	<b>-238.9</b>	<b>-216.7</b>
<b>Cash flows from financing activities</b>				
Share issue	3,457.8	964.2	1,775.3	-
Drawing of short-term loans (+)	-	-	-	307.0
Drawing of long-term loans (+)	225.7	-	1,502.8	800.8
<b>Cash flows from financing activities (C)</b>	<b>3,683.5</b>	<b>964.2</b>	<b>3,278.1</b>	<b>1,107.8</b>
<b>Change in cash in hand and at banks</b>	<b>512.2</b>	<b>-986.0</b>	<b>-944.5</b>	<b>-2,184.3</b>
<b>Cash in hand and at banks in the beginning of the period</b>	<b>1,010.0</b>	<b>1,954.5</b>	<b>1,954.5</b>	<b>4,138.8</b>
<b>Cash in hand and at banks at end of the period</b>	<b>1,522.2</b>	<b>968.5</b>	<b>1,010.0</b>	<b>1,954.5</b>

## MATERIAL TRANSACTIONS WITH RELATED PARTIES

Nexstim's related parties include Nexstim's subsidiaries, the members of Nexstim's board of directors, the managing director, the members of Nexstim's management team and shareholders having significant influence over the Company. The Company's related parties further include close family members of such persons and entities in which such persons have a controlling interest.

Certain shareholders granted a capital loan to the Company in 2013. The subscription price of the capital loan was EUR 1,003.1 thousand and the principal amount was EUR 3,009.3 thousand. The amount below par value, EUR 2,006.2 thousand, has been recognised as interest and other financial expense in income statement during the reporting period and included in other current liabilities as at 30 June 2014 based on a loan term, according to which the loan falls due for payment in the event of a public offering. EUR 2,241.1 thousand of the loan principal has been granted by shareholders included in related parties as defined above. Conversion of the loan into subscribed share capital is planned to be approved by EGM in September 2014.

Certain shareholders granted a new capital loan for the Company in September 2014. The capital loan was subscribed and paid to the Company on a period from 10 September to 14 September 2014. The subscriptions amounted to EUR 1,350.0 thousand in total. The principal loan amounts subscribed by the shareholders included in related parties totalled EUR 1,100.0 thousand.

## CONTINGENT LIABILITIES

<b>EUR in thousands</b>	<b>1-6/2014 6 months</b>	<b>1-6/2013 6 months</b>	<b>1-12/2013 12 months</b>
Guarantees	31.0	31.0	31.0
Leasing liabilities	55.3	71.3	62.0

The accumulated accrued unpaid interest on the capital loans of the Company amounted to EUR 485.9 thousand as at 30 June 2014 and it has not been recognised as an expense in the income statement or as a liability on the balance sheet.

## **COMPANY**

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