

Smart. Focused. Confident.

Nexstim

Annual Report and Accounts 2019



Nexstim Plc is headquartered in Helsinki, Finland. Nexstim shares are listed on the Nasdaq First North Growth Market Finland and Nasdaq First North Growth Market Sweden.

Nexstim is a Finnish, globally operating medical technology company pioneering in the development of non-invasive brain stimulation. Its unique navigated transcranial magnetic stimulation (nTMS) technology called SmartFocus® is used for diagnostics and therapy.

We at Nexstim are committed to only offering technology solutions solidly grounded in scientific and clinical research. We closely collaborate with key opinion leaders who, like us, believe TMS can harness the brain's own healing power – neuroplasticity.

Our mission

By making the transcranial magnetic stimulation electric field visible and reproducible, we enable personalised and effective therapies and diagnostics for challenging brain diseases and disorders.

Our vision

To be the new standard of care for treating a host of currently intractable brain diseases and disorders. Personalised TMS is giving patients – and their families – back the life they feared they had lost.

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"We aim to build shareholder value by capitalising on the significant potential of our unique SmartFocus® TMS technology at a time when neurostimulation is rapidly gaining traction as a mainstream treatment modality."

Mikko Karvinen, CEO



At a Glance

Smart. Focused. Drug-Free.

Nexstim's proprietary SmartFocus® technology with a highly sophisticated 3D navigation, is truly personalised, navigated transcranial magnetic stimulation (nTMS) technology. It is used in both of our TMS systems, one of which is used for therapy (NBT®) and the other one for diagnostics in neurosurgery (NBS).



NBT® Navigated Brain Therapy System with SmartFocus® nTMS

If pharmaceuticals are not working or a non-drug option is wanted, SmartFocus® nTMS conducted with Nexstim's NBT® system might be the answer for treatment of major depressive disorder or for neuropathic pain.

In depression therapy it is important that TMS targets consistently the right location in the patient's brain. We at Nexstim use the latest science – 3D brain imaging and proven navigation of the TMS – to be able to personalise the stimulation target and level for each patient and their unique brain anatomy.

Nexstim NBT® system is FDA cleared for the treatment of major depressive disorder and CE marked for the treatment of major depression and chronic neuropathic pain.



NBS Navigated Brain Stimulation System with SmartFocus® nTMS

One of the most crucial pieces of information needed for neurosurgery is the tumour's location in relation to the essential functions and their connections in the patient's brain.

SmartFocus® nTMS mapping with Nexstim's NBS system is used when the tumour is thought to be close to important motor and language areas in the patient's brain. SmartFocus® brain maps are useful when deciding the treatment option.

The Nexstim NBS system is the only FDA cleared and CE marked navigated TMS system for presurgical mapping of the speech and motor cortices of the brain.

"We could not be more pleased with the ease of use and superior outcomes we have seen over the last year using the SmartFocus® TMS to treat our patients suffering with major depressive disorder."

Randall Solomon, MD,
Chairman of Island Psychiatry PC, United States

Overview of patients' treatment options



Anti-depressant drugs



Cognitive behavioural therapy (CBT)



Transcranial Magnetic Stimulation (TMS)



Electro-convulsive therapy (ECT)



Ketamine drug infusions



SmartFocus® nTMS is a truly personalised depression therapy

Brains are like people: all individuals – and different. That is why the effects of TMS stimulation are always dependent on the state of the patient's own unique brain and cortex.

By combining the patient's own MRI with unique e-field navigation and integrated EMG, SmartFocus® technology can take the uniqueness of brain into consideration. This ensures that each treatment session is based on individualised dosing and targeting, personalised to the patient's own brain.

SmartFocus® TMS therapy includes five steps of which the first three are required only on the first time to personalise the therapy for the patient. SmartFocus® TMS technology ensures that each patient's data is saved, and the therapy can be repeated exactly to the same spot with the same personalised stimulation level – every time.



View

Displays 3D view of your brain from MRI scan



Measure

Personalises the therapy to your brain state



Target

Pinpoints the therapy target in your brain



Treat

See the therapy on target – feel confident



Repeat

Your vital data are saved – ready for your next session

Chief Executive's Statement

A Year of Progress in Therapy

In 2019, Nexstim continued to establish a foothold in the therapy business focused on the treatment of major depressive disorder (MDD). This year we will continue to focus on the United States which we consider to be the largest market for this indication.



Mikko Karvinen, Chief Executive Officer

Nexstim's therapy-led strategy is making good progress. We are happy to see a growing number of customers trusting our unique SmartFocus® TMS technology: during 2019, our NBT® net sales grew by 131%.

In addition to the progress with our NBT® systems, we continued to see an improvement in our sales mix with a growing contribution from high margin after sales, including revenue from services, support, spare parts and consumable head trackers. As the focus of the commercial organisation has shifted towards growing the therapy business, we did see a slight drop in NBS revenue but it is still providing a good source of margin for the group.

Last year, in order to finance our growth strategy, we raised a total of EUR 6.6 million of new capital in the share and warrant offerings closed in April and November 2019. I wish to thank our investors for supporting our share offers and I am delighted that we were able to attract new major anchor investors. This support reflects their confidence and strong commitment to Nexstim's future.

Growth in Company's Total Net Sales:

25%

Growth in Company's NBT® Net Sales:

131%

Review of 2019

March

- More rapid iTBS treatment protocol for NBT® is FDA cleared

April

- Share offer

August

- First White Paper about the use of NBT® system in treatment of depression is published

November

- Warrant offer
- New Chairman and Board members are elected

December

NBT® system receives a medical device license from Health Canada

Large therapy market with unmet medical need

Nexstim's SmartFocus® TMS technology is part of a growing trend of treating brain disorders using minimally invasive or non-invasive approaches that result in less systemic side effects and require no hospitalisation or anaesthesia.

For example, major depressive disorder is a significant business opportunity, which we estimate to include a total of approximately 5.8 million patients in the USA and Europe. The total value of the depression treatment market can be considered to be as much as EUR 40 billion.

Therefore, Nexstim's main priorities are in the therapy business and with the funds raised in 2019, Nexstim will continue to drive the sales of its NBT® systems globally in 2020. We are confident that by highlighting the NBT® system's unique navigational SmartFocus® TMS technology, which differentiates it from the non-navigational TMS devices currently on the market, we will be able to gain further market share.

The first signs of our technology's clinical potential in depression therapy were published in a white paper together with Island Psychiatry, PC in last August. The white paper reported the experiences in the first 10 consecutive patients completing treatment of MDD with Nexstim NBT® system at Island Psychiatry's clinic, New York.

The treatment outcomes of these adult patients were good: 50 percent of the patients were in remission at the end of the treatment while 70 percent had obtained a clinical response¹⁾. Although the results are initial, they show the potential of Nexstim's SmartFocus® technology in the treatment of MDD. Moreover, Island Psychiatry's positive experience about the clinical integration, use and accuracy of the Nexstim NBT® system demonstrates the multiple benefits our technology brings both to the patients and to the clinics.

¹⁾ Heyman A. et al. Use of Nexstim Navigated Brain Therapy (NBT®) System in Treatment of Major Depressive Disorder – initial experience. The white paper can be found on www.nexstim.com/research/white-papers/

Evaluating strategic alternatives

We will focus on growing the installed base of NBT® systems by raising the market awareness of our SmartFocus® technology and by increasing the number of MDD patients treated, especially in the United States, which the company considers to be the largest and most profitable market for this equipment.

This will allow us to collect more clinical data to our patient registry which will further support our marketing message and increase the adoption of our NBT® system. This, together with our strong key opinion leader network in the US, will support our marketing efforts.

We are evaluating several different long-term funding options and strategic alternatives for our businesses. Our focus on the therapy business means that we also continue to seek a partner, especially for our pre-surgical mapping business.

In addition, we are still discussing the collaboration possibilities with a leading California-based academic institution regarding the treatment of patients with treatment resistant depression (TRD), who are hospitalised and may have suicidal ideation. We believe that the institute's technology, combined with Nexstim's SmartFocus® technology, could provide a promising new and effective treatment option for this patient group.

Although the US is our main market for MDD, we are driving our NBT® system sales also in Europe, where NBT® is approved also for the treatment of chronic neuropathic pain. We plan to evaluate new clinical trials in the area of chronic pain, where we have seen compelling data from several European clinical centers, which have opted to use our NBT® technology to treat this important potential commercial opportunity.

"We are happy to see growing number of customers trusting our unique SmartFocus® TMS technology."

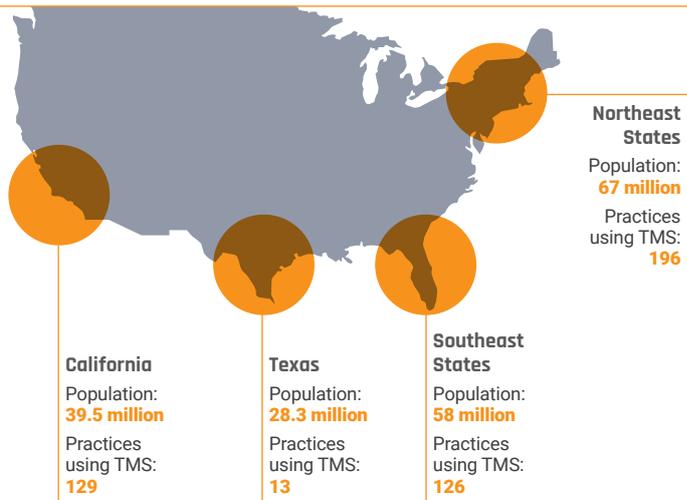


Our Strategy

Focus on Therapy

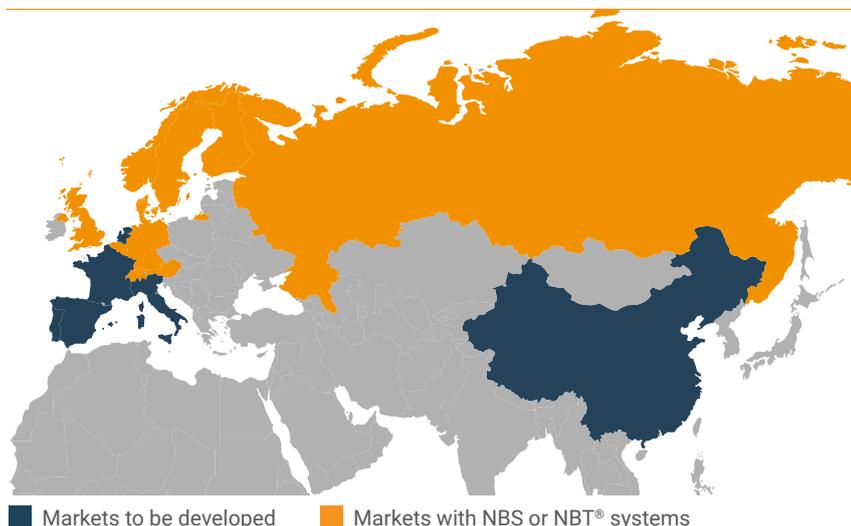
Nexstim is focused on validating and commercialising its personalised SmartFocus® TMS brain stimulation technology in large therapeutic indications with sub-optimal treatment options, namely depression and chronic pain. We are investing in commercial sales, marketing and clinical resources and continue to raise funding accordingly. Our aim is to build sales in the US and large EU markets in currently approved indications. We also recognise that there is a significant untapped market opportunity in Asia.

United States



Nexstim invests in commercialisation efforts of the NBT® system in the United States, where the focus is on TMS centers and high-volume psychiatric practices in key regions of the country (California, Texas, Southeast, and Northeast States). We will also strengthen our key opinion network in the United States. In Canada, Nexstim has a well-connected distributor.

Europe & Asia



Outside the United States we work with direct sales organisations for German speaking countries and for the United Kingdom. We have a strong distribution network in several other areas such as Nordic countries, Italy, Poland, Russia and Hong Kong.

Nexstim has a strong foothold in the pre-surgical mapping business all over the world with several renowned hospitals using our NBS system. In Europe we continue to drive sales also in chronic neuropathic pain which is a significant market opportunity.

Growth in Company's NBT[®] Net Sales:

131%

NBT[®] active, commercial installed base:

23 Systems

NBT[®] Recurring Revenue in 2019:

66%

(Total NBT[®] revenue less NBT[®] system sales)

Strategy in Action in 2019

At the end of 2019, Nexstim's NBT[®] system active commercial installed base grew to a total of 23 systems. The NBT[®] systems have been delivered to US clinics for the treatment of MDD, and to hospitals and clinics in Europe and rest of the world for the treatment of MDD and chronic neuropathic pain. In addition to the above-mentioned commercial systems, multiple NBT[®] systems are used globally within world renowned universities and other institutions for research, reference and other key opinion leader (KOL) purposes.

Additionally, the year had several highlights that helped forward our strategy both in sales and in advancing our technology in clinical use to better cater to the needs of our customers:

- NBT[®] approval in Canada to enlarge the market in North America.
- Entering depression therapy market in Sweden.
- FDA cleared NBT[®] system for more rapid iTBS treatment protocol when treating patients with MDD.
- Establishment of Nexstim Scientific Advisory Board to strengthen the KOL network (see page 9).

Business Opportunity in the United States

- MDD is one of the most common mental health disorders in the US: In 2017, an estimated 7.1 percent of adults have had at least one MDD episode¹⁾.
- In the US, most major commercial payers reimburse TMS treatment for depression and Medicare covers 100% TMS therapy treatment in patients suffering from depression.
- Highly advanced Smartfocus[®] TMS technology: the accuracy has been validated in neurosurgery, which differentiates the technology from competitors' devices. Additionally, it is the only TMS technology where navigation, MRI and EMG are integrated into one system.

Business model to build recurring revenue stream

The therapy business model allows Nexstim to build a recurring revenue stream, as it targets high utilisation rates per system. We offer various pricing options and programs for customers, such as:

- Pay-per-use Lease.
- Monthly Unlimited Use Lease.
- Capital Sale + Head tracker + Service Contract.

Economic benefit to customers

In a pay-per-use lease, no initial investment is required for clinics. This means that clinics make a profit from the first patient. The Company estimates that a clinic could achieve an annual profit of close to USD 150 thousand, assuming 30 treatments per patient and 50 patients per year. Nexstim is globally targeting an annual revenue level of about EUR 100 thousand per NBT[®] system. In 2019, the annual revenue level per NBT[®] system was on average EUR 85 thousand.

The business model we offer helps to grow our customer's business as well as ours: all the NBT[®] systems in the US have been initially installed on a pay-per-use leasing model but already some of the US customers have decided to continue with monthly unlimited use lease when the number of patients has been growing.

Next Steps

Develop further the sales and marketing organisation, particularly in the US market

Strengthen the after sales and clinical support to increase the system usage in therapy

Continue seeking partnerships for pre-surgical mapping business

Adopting more efficient operational business processes, design and manufacturing leading to a reduction in COGS (cost of goods sold)

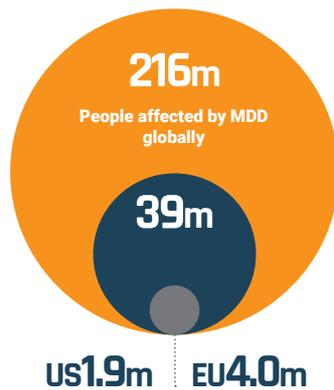
Evaluating future indication expansions

¹⁾ National Institute of Mental Health (NIMH)

Market Overview

A Rapidly Growing Market

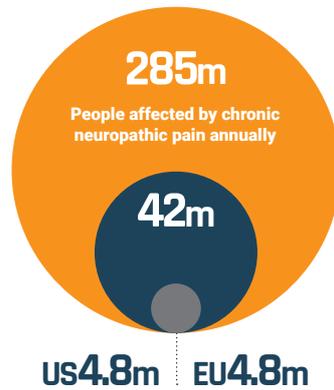
The markets for NBT[®] therapy both in major depressive disorder as well as in neuropathic pain are rapidly growing. Major depressive disorder affects about 2–5 percent of the population in developed countries and there are about 10 million addressable neuropathic pain patients in the US and Europe.¹⁾



Major Depressive Disorder (MDD)

The United States domestic market represents the greatest commercial opportunity for Nexstim NBT[®] therapy business in the short term. MDD is the most common mental disorder in the US: approximately 16 million American adults suffer from MDD and about one-third of MDD patients remain untreated²⁾. The US MDD market is expected to grow in the future due to the aging population, growing MDD prevalence, growing female prevalence, high unmet needs, and escalating mental health expenditure²⁾.

The addressable market for NBT[®] treatment of depression is about 5.9 million patients, which represents a total treatment value of over EUR 40 billion³⁾.



Chronic Neuropathic Pain

Nexstim NBT[®] treatment for Chronic Neuropathic pain is at the evaluation stage but it does represent an interesting prospect for the future. The NBT[®] system is CE marked also for the treatment of chronic unilateral neuropathic pain and it is used for this in several European hospitals.

There are about 10 million addressable neuropathic pain patients in the US and Europe¹⁾. Based on the estimates, 40–50 percent of neuropathic pain patients are without effective pain relief¹⁾.

¹⁾ Global Industry Analysis
²⁾ U.S. Major Depressive Disorder (MDD) Market: Industry Analysis & Outlook (2018-2022)
³⁾ PMSI Consulting analysis and estimates

Treatment value of estimated addressable market in depression

€40b

- Patients not responding to medicines and seeking treatment
- Addressable market

Scientific Advisory Board

Dedication to Research

At Nexstim, we are committed to only offering technology solutions solidly grounded in scientific and clinical research.

Nexstim Scientific Advisory Board, formed in 2019, consists of four key opinion leaders in the field of TMS who provide specialist support, advice and guidance to the Company as we develop new products and clinical applications.

Professor Linda Carpenter, MD

Linda Carpenter is Professor of Psychiatry and Human Behavior at the Alpert Medical School of Brown University, United States.

Professor Carpenter has extensive experience in the field of transcranial magnetic stimulation (TMS). She is the founding Director of the Butler Hospital TMS Clinic and Neuromodulation Research Facility and has been a Director of the Clinical TMS Society since 2016. Professor Carpenter conducts her research and provides TMS therapy for MDD in the Butler Hospital TMS Clinic.

Professor Paul Fitzgerald, MD

Paul Fitzgerald is Professor of Psychiatry and Director of the Epworth Centre for Innovation in Mental Health in Melbourne, Australia. He is also Director of Therapeutic Brain Stimulation at the Monash Alfred Psychiatry Research Centre (MAPrc).

Professor Fitzgerald has had an essential pioneering role in the development of brain stimulation-based treatments for psychiatric disorders. He runs the largest clinical TMS program in Australia, with a special focus on severe or treatment resistant depression.

Professor Turo Nurmikko, MD

Turo Nurmikko is Professor of Pain Relief at the Walton Centre NHS Foundation Trust. He is known for his extensive research on pain relief, especially in the field of chronic neuropathic pain.

Professor Nurmikko led a sham-controlled cross-over clinical investigation that was performed with Nexstim NBT[®] system in 38 patients suffering from unilateral chronic neuropathic pain. In the study 44 percent of patients undergoing NBT[®] therapy reported clinically meaningful pain relief of at least three weeks' duration.

Professor Alvaro Pascual-Leone, MD

Alvaro Pascual-Leone is Professor of Neurology and an Associate Dean for clinical and translational research at Harvard Medical School. He is one of the world leaders in the development of TMS in cognitive neuroscience and for therapeutic applications in neurology, psychiatry and neurorehabilitation.

Professor Pascual-Leone uses TMS therapy to treat patients with MDD at the Berenson-Allen Center for Noninvasive Brain Stimulation, a Harvard-affiliated center within Beth Israel Deaconess Medical Center, Boston, MA.

User Interview

Inspiring Confidence

Neuro Wellness TMS Centers of America is a major TMS therapy provider in Florida. They started using the Nexstim NBT[®] system with SmartFocus[®] TMS at the beginning of 2019. Neuro Wellness' COO Matthew Lahn tells us about their experiences in using the technology.

How many depression patients per day do you treat with Nexstim SmartFocus[®] TMS?

On average, we are treating 8–10 patients per day, but see that number growing very substantially in 2020.

What kind of depression patients do you treat with the Nexstim systems?

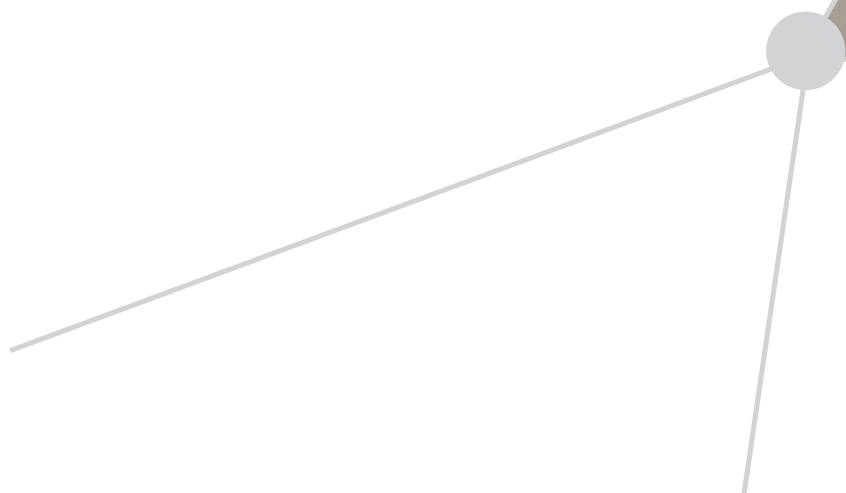
We treat all ages of patients, anywhere from as young as 16 to patients in their late 80s who are experiencing moderate to severe major depressive disorder.

What are your and your team's overall experiences of using Nexstim SmartFocus[®] TMS?

Our overall experience using the Nexstim SmartFocus[®] TMS has been very positive. We feel that the treatment is of a higher level of quality and much more accurately targeted than with competitors' TMS machines.

How many patients do you intend to treat in 2020 with Nexstim SmartFocus[®] TMS?

In our current location, our goal is to treat at least 250 patients this year. We have plans to add more locations which we hope will contribute a couple of hundred more on top of that.





Chair's Statement

Confidence for the Future

Dr. Leena Niemistö was elected as the new Chair of the Nexstim's Board of Directors in November 2019. Niemistö has confidence in the technical superiority of Nexstim SmartFocus® TMS and its ability to make a real difference in the battle against debilitating brain diseases. This offers potential to generate significant value for Nexstim's shareholders at a time when neurostimulation is gaining traction as a mainstream treatment modality.



Dr. Leena Niemistö, Chairman of the Board

I have been truly enthusiastic to start working with the highly professional team of Nexstim. My personal mission is to help Finnish health-tech companies to develop precise and cost-effective diagnostic and treatment methods for patients suffering from chronic disorders. Nexstim has the potential to improve significantly the quality of life of patients with major depression and chronic neuropathic pain.

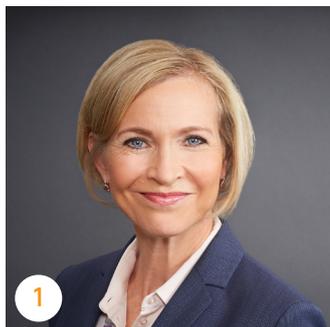
The future of neurostimulation and TMS is very compelling. With increasing evidence from clinical use, I believe navigated TMS can even be the gold standard for the treatment of major depressive disorder and for severe, treatment resistant depression. In addition, there are very promising initial results when using TMS for chronic neuropathic pain, but we still need more evidence and wider acceptance for the use of TMS for this indication.

Nexstim SmartFocus® TMS technology is the most sophisticated and specific TMS technology in the market. In neurosurgical diagnostics, its clinical value has been clearly established in over 79 publications, covering its use in close to 3500 patients. This tells us about the accuracy and precision of the technology, enabling personalised medicine also for therapy.

In five years from now, with this technological superiority, Nexstim has the potential to be the leading TMS player in the market and even to be one of the new standards of care when treating challenging brain diseases and disorders.

Dr. Leena Niemistö
Chairman of the Board

Board of Directors



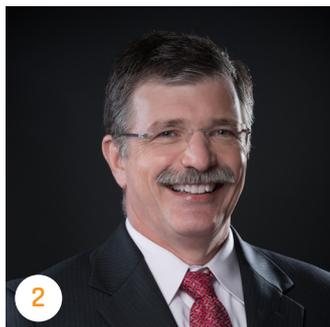
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Leena Niemistö

Chairman of the Board

Leena Niemistö has been Chairman of the Nexstim Board since November 2019. She has distinguished experience in the field of health care and corporate management. Niemistö holds an MD and a PhD from the University of Helsinki and has specialised in physical and rehabilitation medicine, the field where she worked as a clinician for more than 20 years. In addition, she has worked as a CEO in a private healthcare company Dextra and as a deputy CEO in the social and healthcare company Pihlajalinna.

Currently Niemistö is a board member of five publicly listed companies in Finland. She is also an active investor in health-tech growth companies. Niemistö's investment company is the largest shareholder of Nexstim.



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Rohan J. Hoare

Deputy Chairman of the Board

Rohan J. Hoare is the President and CEO of EndoStim, a company developing a novel treatment of gastric reflux disease. He has extensive experience in the neuromodulation industry, including spinal cord, deep brain, vagus nerve, occipital and esophageal stimulation.

Hoare's previous positions include President, Neuromodulation at LivaNova (formed by the merger of Cyberonics and Sorin Group) and Chief Operating Officer at Cyberonics. Prior to this he held numerous leadership positions at St Jude Medical culminating in President, Neuromodulation Division. Early in his career Rohan was a consultant with McKinsey & Co., a premiere management consulting firm. He holds a Ph.D. in Physics from Harvard University where he was a Fulbright Scholar.



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Martin Forss

Member of the Board

Martin Forss has been a member of the Board since November 2019. He is an entrepreneur, investor and board professional in small and mid-sized companies. He is also known as an experienced service business executive. His latest operative responsibility was as CEO of the private dentistry company Oral Hammaslääkärit.

Martin holds a Master of Science degree (Econ) and has experience working with both listed companies and many private equity owned companies throughout his executive operative career.



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Tomas Holmberg

Member of the Board

Tomas Holmberg has worked for 25 years within business law in Finland and abroad. He has acted in-house and as an external advisor to numerous companies from startups to large international corporates with a global footprint. Following his work at Nokia Networks and Nokia Ventures Organization and later as partner at Hannes Snellman Attorneys, Tomas became an independent advisor.

Tomas is also active in the Nordic-China corridor through his relationship with Shanghai based M&A and strategy advisor E. J. McKay & Co. Tomas does community work as Vice Chairman of Aamu Suomen Lasten Syöpäsäätiö, a foundation supporting research and the development of treatment methods in the area of pediatric cancer. Tomas holds a Master of Law degree from the University of Helsinki.

Nexstim plc Report of the Board of Directors

Nexstim Group

Nexstim is a Finnish, globally operating medical technology company. Our mission is to enable personalised and effective therapies and diagnostics for challenging brain diseases and disorders.

Nexstim has developed a world-leading non-invasive brain stimulation technology called SmartFocus®. It is a navigated transcranial magnetic stimulation (nTMS) technology with highly sophisticated 3D navigation providing accurate and personalised targeting of TMS to the specific area of the brain.

SmartFocus® technology is used in Nexstim's proprietary Navigated Brain Therapy (NBT®) system, which is FDA cleared for marketing and commercial distribution for the treatment of major depressive disorder (MDD) in the United States. In Europe, the NBT® system is CE marked for the treatment of major depression and chronic neuropathic pain.

Year 2019 was the first full year of depression therapy commercialisation since Nexstim's NBT® system was launched in the US in May 2018 for the treatment of MDD. The therapy strategy has continued to deliver good results and the company delivered a total of 17 new NBT® systems during year 2019, of which nine systems were delivered to the US and eight to Europe and the rest of the world. The NBT® system active commercial installed base grew to a total of 23 systems at end of December 2019, of which the US NBT® system installed base was a total of 10 systems and in Europe and the rest of the world a total of 13 NBT® systems. The NBT® systems have been delivered to US clinics for treatment of MDD, and to hospitals and clinics in Europe and the rest of the world for treatment of MDD and chronic neuropathic pain. In addition to the above-mentioned commercial systems, multiple NBT® systems are used globally within world renowned universities and other institutions for research, reference and other key opinion leader (KOL) purposes.

In addition, Nexstim is commercialising its SmartFocus® based Navigated Brain Stimulation (NBS) system for diagnostic applications. The NBS system is the only FDA cleared and CE marked navigated TMS system for pre-surgical mapping of the speech and motor cortices of the brain.

Nexstim's NBS system is used for pre-surgical diagnostics. Sales and marketing efforts of Nexstim's NBS system have primarily been targeted on universities and teaching hospitals with strong KOL presence in the fields of neurosurgery and radiology. At the date of this report Nexstim has sold a total of approximately 170 NBS systems.

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

The registered name of the issuer is Nexstim Oyj (the "Company") (in Swedish Nexstim Abp and in English Nexstim Plc). The Company is a public limited company (in Swedish: publikt aktieföretag) incorporated under the laws of Finland. The Company is domiciled in Helsinki, Finland. The Company is registered with the Finnish Trade Register under number 1628881-1. Nexstim Plc has two fully owned and operative subsidiaries. Nexstim Inc. has been established under Delaware state laws in the US in 2008. Nexstim Germany GmbH has been established under German law in 2008 and it does not have permanent offices.

Nexstim Plc shares are listed on the Nasdaq First North Growth Market Finland and Sweden.

Key Figures of the Group

	01/12/2019 12 months €000s	01/12/2018 12 months €000s
Net sales	3,348.1	2,672.1
Personnel expenses	(4,713.0)	(3,937.5)
Other operating expenses	(3,647.5)	(3,985.9)
Depreciation and amortisation	(524.6)	(424.0)
Operating profit (loss)	(6,517.4)	(6,315.6)
Profit/(loss) for the period	(6,782.6)	(6,154.3)
Earnings per share (EUR)*	(0.25)	(1.93)
Cash flows from operating activities	(6,681.5)	(6,192.5)
Cash in hand and at banks	4,266.2	7,175.2
Total equity	(740.1)	(294.3)
Equity ratio (%)	(8.49)	(0.98)
Number of shares at the end of the period (pcs)*	62,786,630	3,253,751
Average number of shares during the period (pcs)*	27,611,274	3,187,487
Diluted number of shares at the end of the period (pcs)*	64,080,578	4,431,575
Diluted average number of shares during the period (pcs)*	36,392,323	4,577,627

*The number of shares has been adjusted to take account of the effect of the reverse share split on 26 November 2018, where the number of shares was decreased 30-fold.

Financial Review

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

Operating results

Net sales

Net sales between 1 January – 31 December, 2019 were EUR 3,348.1 thousand (2,672.1), an increase of 25.3 percent year-on-year. NBT net sales between 1 January – 31 December, 2019 were EUR 1,522.9 thousand (659.9), an increase of 130.8 percent year-on-year. NBS net sales between 1 January – 31 December, 2019 were EUR 1,825.2 thousand (2,012.2), a decrease of 9.3 percent year-on-year.

Work performed for own purpose and capitalised

Work performed for Nexstim's own purposes and capitalised between January 1 – December 31, 2019 was EUR 38.9 thousand (36.3). These amounts mainly consist of capitalised development costs.

Other operating income

Other operating income from 1 January – 31 December, 2019 was EUR 24.1 thousand (33.7).

Materials and services

Materials and services expenses between 1 January – 31 December, 2019 totalled EUR -1,043.4 thousand (-710.3).

Personnel expenses

Personnel expenses between 1 January – 31 December, 2019 totalled EUR -4,713.0 thousand (-3,937.5). The increase in expenses was mainly due to the growth in number of personnel.

Depreciation and amortisation

Depreciation and amortisation between 1 January – 31 December, 2019 amounted to EUR -524.6 thousand (-424.0).

Other operating expenses

Other operating expenses from 1 January – 31 December, 2019 totalled EUR -3,647.5 thousand (-3,985.9).

Operating profit (loss)

The operating loss between 1 January – 31 December, 2019 was EUR -6,517.4 thousand (-6,315.6).

Financial income and expenses

Net financial income and expenses during 1 January – 31 December, 2019 was an expense of EUR -259.5 thousand (163.0). This was mainly due to exchange rate gains from intercompany loans.

Profit (loss) before taxes

Loss before taxes between 1 January – 31 December, 2019 was EUR -6,776.9 thousand (-6,152.6).

Income taxes

Income taxes from 1 January – 31 December, 2019 was EUR -5.7 thousand (-1.7).

Profit/loss for the financial period

The loss for the period 1 January – 31 December, 2019 was EUR -6,782.6 thousand (-6,154.3).

Financial Position

Non-current assets

The Company's non-current assets were EUR 1,223.3 thousand (904.6) as of 31 December 2019. Intangible assets amounted to EUR 363.9 thousand (429.9) at 31 December 2019 and consisted mainly of intangible assets related to capitalised development expenses and intellectual property rights. Tangible assets amounted to EUR 859.4 thousand (464.7) on 31 December 2019 and consisted mainly of capitalised NBT® systems at customer sites.

Current assets

The Company's current assets amounted to EUR 6,431.4 thousand (8,757.4) as at 31 December 2019.

Equity

Consolidated shareholders' equity totalled EUR -740.1 thousand (-294.3) as at 31 December 2019.

Liabilities

Non-current liabilities

The Company's non-current liabilities totalled EUR 5,288.4 thousand (7,063.4) as at 31 December 2019. The non-current liabilities of the Company consist of capital loans, other interest-bearing loans and deferred income. The decrease was mainly due to repayments of the Kreos Capital loan.

Current liabilities

The Company's current liabilities totalled EUR 3,106.4 thousand (2,792.9) as at 31 December 2019. The current liabilities mainly consist of bank loans, trade payables and accrued expenses.

Nexstim plc Report of the Board of Directors continued

Financing and Liquidity

Liquid assets, consisting of cash in hand and at banks, totalled EUR 4,266.2 thousand (7,175.2) at 31 December 2019.

The Company's net cash outflow from operating activities during 2019 was EUR -6,681.5 thousand (-6,192.5).

Net cash flow from investments was EUR -843.3 thousand during the reporting period (-610.8).

Net cash flow from financing activities was EUR 4,615.8 thousand during 2019 (5,504.8). Financing through share issues amounted to EUR 6,606.0 thousand (961.5) in the 12-month period ended 31 December 2019.

The Parent Company has outstanding long-term and short-term intercompany receivables from its subsidiaries of EUR 13.5 million. Considering the risk factors described in the sections "Going Concern" and "Major Risks and Uncertainties" related to the Company's ability to continue as a going concern there is a significant uncertainty relating to the collectability and thus the valuation of the long-term and short-term intercompany receivables. If such receivables are not collected in full there is significant risk that the Parent Company's share capital would be lost.

Going Concern

The financial statements for the 2019 have been prepared on the going concern basis, which assumes that Nexstim will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company estimates that it does not have enough working capital to meet its current needs, i.e. for a period of at least 12 months as of the date of these financial statements. Based on a conservative revenue forecast and expense estimate, and taking into account the cash at bank of the Company as at 31 December 2019 (EUR 4 million) the Company believes that an aggregate amount of EUR 2 million is sufficient to cover its working capital deficiency for at least the aforementioned 12-month period, assuming that the Company will be able to comply with the agreed terms of its loan agreement entered into with Kreos Capital V (UK) Limited ("Kreos") and no event of default or material adverse change occurs which would entitle Kreos to prematurely call back its loan. Based on such preconditions, the Company estimates that the current working capital suffices then until the end of Q2 2020.

In the event the preconditions regarding Kreos are not fulfilled, and Kreos calls back its loan, with outstanding interests and fees, an aggregate amount of EUR 4 million would then be estimated to be needed to cover the Company's working capital deficiency for at least the mentioned 12-month period, and the Company estimates that the current working capital suffices then until the end of May 2020.

The Company continues to carry out evaluation of different funding options and strategic alternatives for its businesses. These strategic alternatives may include divestment of its diagnostic business or even a public-to-private transaction concerning the entire Company, for the purposes of ensuring the Company's ability to continue as a going concern. If different funding options or strategic partnerships are not completed at all or completed only partially or if actual revenues are less than forecasted, 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, costs planned to build and improve its own sales and marketing organisation. As stated above the Company's liquidity and its effect on the Company's financial performance as well as the success of any financing options are affected by factors with significant uncertainty, which the management has taken into account when assessing the Company's ability to continue as a going concern. If additional financing is not obtained, the Company may meet serious financial difficulties.

Organisation and Personnel

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 production.

The Company is organised into five operative functions:

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

At the end of the financial period 2019 Nexstim Group employed 37 full-time employees (FTEs) (2018: 34). Nexstim Plc employed 23 FTEs at the end of year 2019 (2018: 23). During the financial year 2019 Nexstim Group employed on average 36 FTEs (2018: 29 FTEs).

Strategy

Our mission

By making the transcranial magnetic stimulation (TMS) electric field visible and reproducible, we enable personalised and effective therapies and diagnostics for challenging brain diseases and disorders.

Our vision

To be the new standard of care for treating a host of currently intractable brain diseases and disorders. Personalised TMS is giving back patients – and their families – the life they feared they had lost.

Our strategy

Nexstim is focused on validating and commercialising its personalised SmartFocus™ TMS brain stimulation technology in large therapeutic indications with sub-optimal treatment options, namely depression and chronic pain.

We are investing in commercial sales, marketing and clinical resources and continue to raise funding accordingly. Our aim is to build sales in the US and large EU markets in currently approved indications, as well as to generate clinical patient registry data to further support our commercial efforts. We also recognise that there is a significant untapped market opportunity in Asia and continue to evaluate opportunities in this area on an ongoing basis.

Nexstim also aims to fulfil the commercial potential of the SmartFocus™ TMS technology in pre-surgical mapping through the Navigated Brain Stimulation (NBS) system. Pre-surgical mapping will be supported and developed through partnerships.

We remain predominantly focused on the potential of our differentiated technology in therapy (NBT®), as this represents a larger market opportunity, with a better model for sales growth in terms of consumables.

Major Events in the Financial Period

On 14 January 2019 the Company announced that it had shifted its resources and focus during the year 2018 to generating Navigated Brain Therapy (NBT®) system sales for the treatment of MDD and that this strategy had delivered good results in the US, Europe and the rest of the world. In order to fund the further commercialisation of Nexstim's therapy business the Company announced that it was evaluating a potential funding round.

On 25 January 2019 Nexstim Plc announced that pursuant to the reduction of the quantity of shares in the Company and due to an error in the calculation of the shares held by nominee shareholders by a certain custodial nominee account holder and respective correction of such error, in total five treasury shares remained in the possession of the Company of the total amount of 9,000 treasury shares which were issued to the Company without consideration on 21 November 2018 of which amount in total 7,724 treasury shares were already annulled by a resolution of the Board of Directors on 30 November 2018. It was hereby resolved to also annul such five treasury shares.

Furthermore, the Board of Directors resolved to annul in total 33,300 option rights 2016B and 16,700 option rights 2016C which are in the possession of the Company (employments terminated, and the option rights returned to the Company prior to arrangements regarding the reduction of the quantity of shares). Pursuant to the annulment, no option rights 2016B or 2016C remain in the possession of the Company.

Pursuant to the reduction in the quantity of shares, the Board of Directors resolved on 23 November 2018 to amend the terms of the outstanding option rights under options schemes 2013A, 2016A-C, 2017 and 2018A-B in such way that the number of option rights received by each holder of option rights is divided by 30, and simultaneously the subscription price for one share against an option right is multiplied by 30, and that the possible rounding up in the number of option rights is to be made downwards. Regarding the above-mentioned, the amended terms of the above-mentioned option rights have now been accepted.

On 12 March 2019 the Company announced that its Board of Directors was planning for an issue of new ordinary shares in which the current shareholders of the Company would have the right to subscribe for new shares in proportion to their existing shareholdings in the Company.

On 25 March 2019 Nexstim announced that its NBT® system had received FDA clearance for a new much shorter treatment protocol, Theta Burst Stimulation (TBS), for the treatment of MDD.

The following resolutions were adopted at its Annual General Meeting (AGM) of shareholders held on 25 March 2019 (summary):

- The AGM of shareholders of Nexstim Plc adopted the Company's financial statements, including the consolidated financial statements for the year 2018, and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM resolved that no dividend would be paid for the financial year 1 January - 31 December 2018 and that the loss of the financial year be added to the loss account.
- The AGM resolved on the number of the members of the Board of Directors at five. Martin Jamieson, Ken Charhut, Rohan J. Hoare, Juliet Thompson and Tomas Holmberg were elected to the Board. Martin Jamieson was elected as the Chairman and Juliet Thompson as the deputy Chairman.
- The remuneration of the members of the Board of Directors was resolved as follows: €36,000 for the members of the Board domiciled in the USA, and €27,000 for the members domiciled in Europe. The AGM recommended that the members of the Board invest half of the above-mentioned remuneration in the Company's shares.
- Further, the AGM resolved that the members of the Board Committees shall be paid as follows; €10,000 for the Chairman of a Committee per year and €5,000 for the members of the Committee. It was decided that reasonable travel expenses be compensated to the Board members.
- The AGM resolved that the target group of the restricted share unit (RSU) plan will be those members of the Board of Directors who are independent of the Company. The reward allocations in 2018 will be determined in cash. The AGM decided that for each Board member who is independent from the Company the grant gross value of the reward for the vesting period 2019–2020 will be EUR 12,500. The granted reward will be converted into restricted share units at the beginning of the vesting period, in 2019. The conversion of the granted reward into restricted share units will be based on the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki Ltd during 20 trading days following the release date of the Company's Financial Statements from 2018. In the plan, one restricted share unit corresponds to one Company share.
- PricewaterhouseCoopers Oy, an authorised Public Accountant was re-elected as the auditor with Martin Grandell acting as the auditor-in-charge. The auditor will be paid a reasonable fee.

On 25 March 2019, the Company announced the following decisions made by its Board of Directors. The Board of Directors resolved to elect the following persons to the Company's Board Committees: the Chairman of the Audit Committee shall be Juliet Thompson and its members shall be Rohan Hoare and Tomas Holmberg; the Chairman of the Remuneration Committee shall be Ken Charhut and its members shall be Rohan Hoare and Tomas Holmberg; and the Chairman of the Nomination Committee shall be Sami Tuhkanen and its members shall be Juliet Thompson, Martin Jamieson and Risto Ilmoniemi.

Nexstim plc Report of the Board of Directors continued

Major Events in the Financial Period continued

On 26 March 2019, Nexstim announced that in accordance with the authorisation granted by the Annual General Meeting of the Company on 25 March 2019, the Board of Directors of Nexstim Oyj had decided to arrange a rights issue of approximately EUR 5.2 million with additional warrants enabling the Company to raise up to a maximum of approximately EUR 2.6 million. The Offering is expected to support the growth and operational strategy of the Company. Nexstim expects to use the net proceeds from the Offering and Offer Warrants mainly to fund the marketing and similar commercialisation efforts for increasing the sales of the Company's NBT® system for depression treatment, and with current cash in bank and at hand to finance repayment of its existing loans.

On 29 March 2019, the Company announced that its NBS system and NexSpeech® had received a medical device license from Health Canada. The medical device license allows Nexstim to start marketing and selling the NBS system and NexSpeech® in Canada.

On 2 May 2019, Nexstim announced completion of the rights issue which ended on 24 April 2019 in Sweden and on 26 April 2019 in Finland. A total of 31,202,364 shares were subscribed to, corresponding to 68.5 percent of the total amount of the shares offered for subscription in the Offering. Subscriptions made in the Offering represent approximately 100.3 percent of the Company's market capital on 25 March 2019, the last trading day before announcement of the terms of the Offering.

On 2 May 2019, the Board of Directors of the Company approved the subscriptions made in the Offering and allocation of the Offer Warrants. The resolution of allocation was made in accordance with the principles set forth in the prospectus prepared for the Offering. The proceeds of the Offering amount to approximately EUR 3.6 million, excluding fees and expenses of the Offering after deduction of such fees and expenses, excluding the subscription underwriting fees payable in shares, the net proceeds amount to EUR 3.1 million.

On 6 May 2019, Nexstim announced the subscription underwriting commitments provided for the Company in connection with such subscription rights issue. Underwriting commitments were given in a way that the amount of the underwriting commitments corresponded to approximately 20.6 percent of the shares offered in the subscription rights issue, which means that the underwriting commitments amounted to about EUR 1.1 million. It had been agreed with the underwriters that the underwriting fee payable to them may be paid against shares of the Company instead of cash payment at the discretion of the Company. In accordance with the terms of such underwriting commitments and the Company's prospectus, the Board of Directors of Nexstim resolved to pay the underwriting fees by issuing in total 939,004 shares to the respective investors with terms that the subscription price of such shares – EUR 0.115 per share and in aggregate EUR 107,985.46 - is paid by setting off the subscribers' underwriting fee receivables against the Company. The new shares were issued based on an authorisation received at the Company's Annual General Meeting on 21 November 2018. The subscription price was recorded in its entirety into invested unrestricted equity fund.

On 20 May 2019, the Company announced that the Offer Warrants were delivered to the subscribers and the trading of such Offer Warrants began on First North Finland and First North Sweden. The Offer Warrants entitle subscription a maximum of 15,601,167 shares of the company. An Offer Warrant may be used for the subscription of one (1) share of the Company in accordance with the applicable terms of the Offer Warrants. The share subscription price is determined by the volume weighted average price of the Company's share on First North Finland between 7 October 2019 and 18 October 2019, with an applied discount of 25 percent, the subscription price being, however, at least EUR 0.115 per share. The subscription period for shares subscribed against the Offer Warrants is 22 October – 4 November 2019.

On 23 May 2019, Nexstim announced that pursuant to subscription of the 2019 rights issue and terms of the existing warrant agreements of the Company, the Board of Directors resolved to amend the terms of such outstanding warrants (i.e. special rights to shares) in such way that the subscription price for one share (the exercise price) has been lowered in accordance with information available on the Company's website www.nexstim.com/investors/share-information. The amendment does not concern the Offer Warrants which were issued as part of the subscription rights issue.

On 10 June 2019, Nexstim announced that pursuant to the 2019 subscription rights issue the Board of Directors resolved to amend the share subscription prices of the Company's stock option programs 2016B-C and 2017 according to clause II.6 of the terms, so that the share subscription price of such stock option programs is comparable to the price prior to the subscription rights issue. With respect to the stock option program 2018, the subscription right cut-off date of the rights issue in question took place during the pricing period of option rights 2018A and the pricing of option rights 2018A has been calculated based on the Nasdaq Helsinki post-rights-issue adjusted historical share prices of Nexstim Plc (NXTMH). Therefore, the share subscription price for option rights 2018A is EUR 0.26. The amended terms of the option rights are available on the Company's website www.nexstim.com/investors/share-information. For the sake of clarity, the share unit price 2019 for the Company's RSU program shall be calculated using the Nasdaq Helsinki post-rights-issue adjusted historical NXTMH share prices. Therefore, the share unit price for the RSU 2019 share shall be EUR 0.26.

On 25 July 2019, Nexstim announced that the Board of Directors had decided that the Chairman of the Nomination Committee shall be Leena Niemistö and the members shall be Ossi Haapaniemi, Katya Smirnyagina and Risto Ilmoniemi.

On 13 September 2019, the Company announced that Nexstim Plc agreed on a new loan repayment schedule with Kreos. According to the agreement, Nexstim paid Kreos two additional voluntary capital repayments of EUR 600 thousand, the first repayment in September 2019 and the second in November 2019.

On 2 October 2019, Nexstim announced that it is in discussions with a leading California based academic institution regarding the licensing of their technology to treat patients with severe depression, who are hospitalised and may have suicidal ideation.

On 15 October 2019, the Company announced that following the meeting of the Nomination Committee, Ken Charhut and Juliet Thompson, members of the Board of Directors since 2013 and 2015 respectively, had resigned their positions.

On 21 October 2019, Nexstim announced that it had secured 100 percent of the Warrant Plan 2019 and decided on a directed issue of approximately EUR 1.1 million subject to the approval of the Extraordinary General Meeting of Shareholders (EGM).

On 6 November 2019, the Company announced that approximately 67.4 percent of Nexstim Plc's offer warrants under Warrant Plan 2019 were used for the subscription of shares. Based on the Offer Warrants, 10,511,689 new shares were subscribed for and the Company will receive approximately EUR 1.2 million in proceeds before transaction fees and expenses.

On 11 November 2019, Nexstim announced that the EGM had made the following decisions (summary):

- The Company has had two Committees of the Board of Directors: Audit Committee and the Compensation Committee. The Board of Directors has resolved to terminate, effective as from November 11th, the Audit Committee and the Compensation Committee. These functions will be provided by the Board.
- In accordance with the proposal of the Nomination Committee, the Extraordinary General Meeting of Shareholders resolved to establish a Nomination Board of the shareholders to replace the Nomination Committee and approved the Charter of the Nomination Board of the Shareholders in the form appearing at the Company's website <https://nexstim.com/investors/shareholder-meetings>.
- In accordance with the proposal of the Nomination Committee, the Extraordinary General Meeting of Shareholders made the following decisions:
 - The EGM confirmed that the number of members in the Board of Directors is to be five;
 - Martin Forss and Leena Niemistö were, in accordance with their consent, elected as new members of the Board of Directors for a period until the end of next the Annual General Meeting of Shareholders and;
 - Leena Niemistö was, in accordance with her consent, elected as the Chairman of the Board of Directors for the above-mentioned period and Rohan Hoare as the Deputy Chairman.
 - Martin Jamieson is continuing as an ordinary member of the Board of Directors. Tomas Holmberg and Rohan Hoare shall continue as members of the Board of Directors
- Pursuant to the decisions of the AGM on 25 March 2019 and in accordance with the proposal of the Nomination Committee, the Extraordinary General Meeting of Shareholders resolved that the members of the Board of Directors are remunerated for the term ending in the Annual General Meeting in 2020 as follows:
 - EUR 36,000 (i.e. no amendment to the amount approved by the Annual General Meeting of Shareholders) for a member who is based in the United States. The Board member whose position begins on the date of the Extraordinary General Meeting of Shareholders (or has ended prior to this) will receive 50% of such fee;
 - EUR 27,000 (i.e. no amendment to the amount approved by the Annual General Meeting of Shareholders) for a member who is based in Europe. The Board member whose position begins on the date of the Extraordinary General Meeting of Shareholders (or has ended prior to this) will receive 50% of such fee;
 - EUR 45,000 for the Chairman of the Board of Directors. As the new Chairman will begin in the position on the date of the Extraordinary General Meeting of Shareholders, she will receive 50% of such fee;
 - Effective as at the date of the Extraordinary General Meeting of Shareholders, no member or Chairman of the Committees of the Board of Directors or the Nomination Board of the Shareholders, shall receive any fees based on membership of such Committees or Nomination Board of the Shareholders;
 - Effective as at the date of the Extraordinary General Meeting of Shareholders, reasonable travel expenses are reimbursed against receipts to the members of the Board, following the principles of the Company's Travel Policy. This applies both to members of the Board of Directors and, to the extent applicable, Board members acting as members of the Nomination Board of the Shareholders.
- In accordance with the proposal of the Board of Directors, the Extraordinary General Meeting of Shareholders resolved to authorise the Board of Directors to decide on issuance of new shares in connection and for the purposes of the Underwriting Issue and Directed Issue as follows:
 - The number of new shares to be issued based on the authorisation may in total amount to a maximum of 22,202,190 shares, which (if completed to the fullest amount) for the existing shareholders could result in a dilution of up to approximately 39 percent, considering all registered shares of the Company on the date of the Board of Directors proposal but excluding any exercise of the Offer Warrants.
 - The authorisation will be used to execute the contemplated Underwriting Issue and the Directed Issue, i.e. the new shares will be issued to the Underwriters deviating from the shareholders' pre-emptive rights through one or more directed share issue. The reason for deviation from the shareholders' pre-emptive rights in both the Underwriting Issue and the Directed Issue is to raise capital and improve the Company's financial position in a cost-effective and timely manner and enable further development and growth of the Company's core businesses. Hence, there is a weighty financial reason to deviate from the shareholder's pre-emptive subscription rights in both directed share issues set forth above. The final allocation of the new shares to the Underwriters shall be resolved by the Board of Directors of the Company.
 - The share subscription price EUR 0.115 or SEK 1.24 per share is applicable in both the Underwriting Issue and the Directed Issue.
 - The Board of Directors shall decide on all other terms and conditions of issuance of the new shares applicable in both the Underwriting Issue and the Directed Issue. The authorisation is valid until 31 December 2019.

On 15 November 2019, Nexstim announced that based on a resolution of the Board of Directors of Nexstim Plc announced on 11 November 2019, 15,687,350 new shares were subscribed for. Upon approval of such subscriptions, the Company will receive approximately EUR 1.8 million in proceeds for such directed issue excluding underwriting fees as well as other fees and expenses. As announced on 21 October 2019, 6 November 2019 and 11 November 2019 by the Company, Offer Warrants issued in spring 2019 have been exercised for share subscriptions and the Company has arranged a directed share issue. The combined gross proceeds of the exercise of the Offer Warrants and the directed share issue amounted to approximately EUR 2.9 million and net proceeds to approximately EUR 2.7 million after deducting fees and expenses.

On 18 December 2019, the Company announced that the Board of Directors of Nexstim Plc had resolved on a directed share issue in which in total 1,186,718 new shares of the Company are issued to Kreos Capital V (UK) Limited ("Kreos") against a subscription price of EUR 0.119 per share on terms that the aggregate subscription price of such new shares EUR 141,219.44 shall be paid by setting-off the loan receivable of Kreos against the Company.

Nexstim plc Report of the Board of Directors continued

Major Events after the Financial Period

On 16 January 2020, Nexstim announced that technology licencing discussions ended with a leading California-based academic institution. The institution, at this time, had decided not to pursue licencing negotiations with third parties, as they have received full NIH (National Institutes for Health) funding for their clinical and software development programme. Nexstim and the institution are now actively considering other forms of possible collaboration.

On 11 February 2020, the Company announced that Martin Jamieson had decided to leave his positions as the CEO of the Company and as a member of the Board of Directors of Nexstim, effective immediately. Nexstim's Board of Directors appointed Mikko Karvinen as interim CEO and Joonas Juokslahti as interim CFO with immediate effect.

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

Future Outlook

Based on its business forecast, the Company expects NBT business revenue to grow during year 2020 and a loss for the period is expected for the financial year 2020.

Major Risks and Uncertainties

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

The Company has updated its estimates on working capital and going concern. More information about the updated estimate is available in this report under the section "Financing and Liquidity".

Risks relating to the Company and its business operations:

- The Company has a history of operating losses and the operations may never become profitable.
- Funding received from Kreos or Business Finland may become repayable prematurely and additional funding may not be available.
- The Company's working capital is not sufficient to meet the Company's requirements for the coming 12-month period from the date of the report.
- Not all of the Company's products have an established market position.
- The Company's products will require certain authorisations before commercialisation, such as FDA clearance for the NBT® system in connection with use in chronic neuropathic pain before commercialisation, and currently not all required approvals or permits have been granted and there can be no assurance that such approvals and permits will be granted or successfully maintained.
- The Company may not be able to get the reimbursement codes and reimbursement coverage for new indications.
- Healthcare providers and hospitals may not adopt the Company's technology and treatment modality in the estimated manner or extent.
- The Company may divest a part of its business operations (including intellectual property rights and/or R&D personnel) or may be delisted in connection with a transaction, yet there is no certainty that such divestment or other transaction would be completed successfully or completed at all.
- The Company's operations may be interrupted due to problems associated with its suppliers.
- The Company may not be able to maintain the required certifications or approvals.
- The Company may not be able to sufficiently protect or enforce its intellectual property rights.
- The Company may infringe third party intellectual property rights or claims may be made against the Company on such infringements.
- Markets do not necessarily develop to the desired direction or extent; the technology and products of the Company may not remain competitive.
- The expected income from capitalised development costs and intangible rights may prove to be weaker than expected.
- Writedown of Group internal receivables or subsidiary shares may weaken the Parent Company equity or result as Parent Company equity to become negative.
- The Company may not be able to utilise all tax losses incurred.
- There may be changes in reported profitability or financial position due to changes in accounting regulations or possible future decisions to start to apply international Financial Reporting Standards.
- The Company may become subject to product liability claims and other claims.
- The Company may in the future be involved in litigation and arbitration proceedings.
- The Company may be adversely affected by financial difficulties or bankruptcy of one or more of its customers, partners, suppliers or other counterparties.
- The Company is reliant on its information systems.
- The Company is reliant on its ability to recruit and retain relevant key personnel.
- The Company is reliant on its ability to find and retain research and co-operation 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 may be adversely affected by increasing costs in the health technology industry and cost efficiencies in healthcare.
- 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 continue to commercialise its NBT® system.

Risks relating to the shares:

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

Risks relating to general economic conditions:

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

Shares and Shareowners

As at December 31, 2019, the fully paid-up share capital of Nexstim Plc amounts to EUR 80,000.00, consisting of 62,786,630 shares. The shares have no nominal value. Nexstim has one series of shares, which have an ISIN code of FI4000354162. As at the end of financial period 2019, Nexstim had no treasury shares. Each share entitles its holder to one vote at the general meetings of shareholders of Nexstim Plc. The shares are issued under Finnish law.

Nexstim Plc shares are listed in Helsinki Stock Exchange, Nasdaq First North Growth Market Finland and at the Stockholm Stock Exchange, Nasdaq First North Growth Market Sweden. Below, the presented share price information from Nasdaq First North Growth Market Finland is in euros (EUR) and share price information from Nasdaq First North Growth Market Sweden is in Swedish krona (SEK). The number of shares and share prices have been adjusted in the below presented year 2018 comparison figures marked with a * to account for the effect of the reverse share split on 26 November 2018, where the number of shares was decreased 30-fold.

On 1 January – 31 December, 2019, the highest price of the Company share was EUR 0.90 (2018: EUR 1.40) and SEK 8.60 (2018: SEK 15.89), the lowest price was EUR 0.07 (2018: EUR 0.05) and SEK 0.81 (2018: SEK 0.47), and the average price was EUR 0.15 (2018: EUR 3.08*) and SEK 1.71 (2018: SEK 32.77*). The closing price for 2019 on 30 December, 2019, was EUR 0.12 (2018: EUR 0.60) and SEK 1.22 (2018: SEK 5.80).

In public trading on 1 January – 31 December, 2019, a total of 72,341,435 shares were traded, which corresponds to 262.0 percent of the average number of shares in the said period. On 1 January – 31 December, 2019, there were 27,611,274 shares on the average.

The market value of the share capital at the closing price of 2019, EUR 0.12 and SEK 1.22, on 30 December, 2019, was EUR 7,220 thousand (2018: EUR 1,956) and SEK 76,286 thousand (2018: 18,875).

On 31 December, 2019, the company had 6,044 (2017: 5,984) shareowners including the nominee registers (six registers). The share of nominee registered ownership was 42.9 percent (2018: 52.4) of the total number of shares.

Nexstim Plc Board of Directors had on 31 December, 2019 the following authorisations granted.

In accordance with the proposal of the Board of Directors, the 11 November 2019 Extraordinary General Meeting of Shareholders resolved to authorise the Board of Directors to decide on issuances of new shares either against payment or without consideration as follows:

The authorisation would be given to a maximum quantity of 10,000,000 new shares.

The new shares may be issued to the Company's shareholders in proportion to their current shareholdings in the Company or deviating from the shareholders' pre-emptive right through one or more directed share issue, if the Company has a weighty financial reason to do so, such as developing the Company's equity structure, minimise or reduce debts, implementing mergers and acquisitions or other restructuring measures aimed at developing the Company's business, financing of investments and operations or using the shares as a part of the Company's remuneration and compensation system. The Board of Directors shall decide upon terms and scope related to share issues.

At the end of the reporting period the authorisation left is for a maximum of 8,813,282 shares and the authorisation is valid for one year from the Extraordinary General Meeting.

Nexstim plc Report of the Board of Directors continued

Shares and Shareowners continued

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Nexstim Plc shareowners at the end of year 2019 was as follows.

	Shareholder	No. of shares	Holding %
1.	Nordea Bank ABP*	24,199,301	38.54
2.	Kaikarhenni Oy	8,685,626	13.83
3.	Haapaniemi Ossi	5,124,744	8.16
4.	Danske Bank AS Helsinki Branch*	1,361,930	2.17
5.	Kalksten Properties Koy	1,242,915	1.98
6.	Clearstream Banking S.A.*	1,030,567	1.64
7.	Syrjänen Eva Annika Elisabeth	980,341	1.56
8.	Pyykönen Riku Tapani	720,000	1.15
9.	Kivi Esko	605,270	0.96
10.	Jokinen Jukka Erkki	500,000	0.80
11.	Antero Järvi	350,000	0.56
12.	Partanen Juha Veikko	331,582	0.53
13.	Niukkanen Pentti Juhani	330,015	0.53
14.	Filen Harri Johannes	310,186	0.49
15.	Himanka Reijo Juhani	275,011	0.44
16.	Nurkkala Aaro Pellervo	260,000	0.41
17.	Toivanen Capital Oy	243,160	0.39
18.	Ruponen Esa Juhani	202,020	0.32
19.	Laukka Sami Jukka Matias	200,000	0.32
20.	Salmela Veijo Ensio	160,468	0.26

* Nominee registered shareholders

Board of Directors and the Company's Management

Board of Directors

The following were members of the Nexstim Plc's Board of Directors during 2019: Leena Niemistö (Chairman since 11 November 2019), Martin Jamieson (Chairman until 11 November 2019 and ordinary member since), Rohan Hoare (Deputy Chairman since 11 November 2019), Juliet Thompson (Deputy Chairman until 14 October 2019), Kenneth Charhut (until 14 October 2019), Martin Forss (since 11 November 2019), Tomas Holmberg. The Board of Directors convened 21 times during 2019.

CEO

Martin Jamieson acted as CEO of Nexstim Plc and Group during 2019.

Management team

The following members were part of Nexstim Group management team during 2019: Martin Jamieson (CEO), Steve Beller (Vice President and General Manager, North America), Henri Hannula (Vice President, International Sales and Marketing), Gustaf Järnefelt (Vice President, R&D), Mikko Karvinen (CFO), Hanna Kotola (Vice President, Legal, Quality & Regulatory Affairs), Jarmo Laine (Vice President, Medical Affairs).

Board of Directors' Proposal on the Dividend

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

At the end of the financial period of 2019, the distributable assets of the Group's Parent Company were EUR 12,268,771.99. The Board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2019.

Consolidated Financial Statements

Profit and Loss Statement

For the financial year ended 31 December 2019

	Note	1 January – 31 December 2019 €	1 January – 31 December 2018 €
NET SALES	2	3,348,086.02	2,672,151.12
Work performed for own purpose and capitalised		38,904.00	36,322.00
Other operating income	3	24,104.01	33,719.59
Materials and services			
Materials			
Purchases during the financial year		(1,269,733.17)	(628,205.38)
Increase (+) decrease (-) in inventories		226,316.05	(82,140.08)
External services		0.00	0.00
Total		(1,043,417.12)	(710,345.46)
Personnel expenses	4		
Wages and salaries		(3,997,682.04)	(3,353,035.23)
Social security expenses			
Pension expenses		(330,120.15)	(336,504.73)
Other social security expenses		(385,234.42)	(247,954.28)
Total		(4,713,036.61)	(3,937,494.24)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(524,632.28)	(424,046.68)
Total		(524,632.28)	(424,046.68)
Other operating expenses	5	(3,647,456.51)	(3,985,942.71)
OPERATING PROFIT/(LOSS)		(6,517,448.49)	(6,315,636.38)
Financial income and expenses	6		
Other interest income and other financial income		1,286,078.63	858,137.89
Interest and other financial expenses		(1,545,545.31)	(695,093.79)
Total		(259,466.68)	163,044.10
PROFIT/(LOSS) BEFORE TAXES		(6,776,915.17)	(6,152,592.28)
Income taxes		(5,723.16)	(1,726.32)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(6,782,638.33)	(6,154,318.60)

Consolidated Financial Statements continued

Balance Sheet

	Note	31 December 2019 €	31 December 2018 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	7	73,668.72	71,638.99
Intangible rights		290,265.68	358,229.20
Total		363,934.40	429,868.19
Tangible assets			
Machinery and equipment	8	859,387.75	464,740.49
Total		859,387.75	464,740.49
Investments			
Other shares and similar rights of ownership	9	0.00	10,000.00
Total		0.00	10,000.00
NON-CURRENT ASSETS TOTAL		1,223,322.15	904,608.68
CURRENT ASSETS			
Inventories			
Raw materials and consumables		485,082.03	258,765.98
Total		485,082.03	258,765.98
Receivables			
Trade receivables		1,179,613.49	888,862.76
Prepayments and accrued income	10	257,505.27	307,746.35
Other receivables		243,023.21	126,921.76
Total		1,680,141.97	1,323,530.87
Cash in hand and at banks		4,266,175.61	7,175,151.06
CURRENT ASSETS TOTAL		6,431,399.61	8,757,447.91
ASSETS TOTAL		7,654,721.76	9,662,056.59

	Note	31 December 2019 €	31 December 2018 €
EQUITY AND LIABILITIES			
EQUITY			
	11		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		46,086,645.05	39,480,595.19
Retained earnings/(loss)		(40,124,070.88)	(33,700,549.47)
Profit/(loss) for the financial year		(6,782,638.33)	(6,154,318.60)
TOTAL EQUITY		(740,064.16)	(294,272.88)
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans	12	0.00	100,000.00
Other interest-bearing loans	13	5,288,419.88	7,063,436.70
Deferred income	13	0.00	0.00
Total		5,288,419.88	7,163,436.70
CURRENT LIABILITIES			
Bank loans		988,571.20	1,103,763.74
Trade payables		739,710.92	597,131.70
Other liabilities		517,419.19	290,634.20
Accrued expenses	14	860,664.73	801,363.13
Total		3,106,366.04	2,792,892.77
TOTAL LIABILITIES		8,394,785.92	9,956,329.47
EQUITY AND LIABILITIES TOTAL		7,654,721.76	9,662,056.59

Consolidated Financial Statements continued

Consolidated Cash Flow Statement

	1 January – 31 December 2019 €'000	1 January – 31 December 2018 €'000
Cash flows from operating activities		
Profit/(loss) for the financial period	(6,782.6)	(6,154.3)
Adjustments:		
Depreciation and amortisation according to plan	524.6	424.1
Other adjustments (income -/ expense +)	(269.2)	(622.2)
Financial income and expenses	259.5	(163.0)
Cash flows before change in working capital	(6,267.7)	(6,515.5)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	65.5	703.0
Increase (-) or decrease (+) in inventories	(226.3)	128.3
Increase (+) or decrease (-) in current interest-free payables	428.7	(109.9)
Cash flows from operations before financial items and taxes	(5,999.9)	(5,794.2)
Interest and other financial expenses paid	(681.6)	(398.3)
Cash flows from operating activities (A)	(6,681.5)	(6,192.5)
Cash flows from investing activities		
Investments in intangible and tangible assets	(843.3)	(610.8)
Cash flows from investments (B)	(843.3)	(610.8)
Cash flows from financing activities		
Share issue	6,606.0	961.5
Drawing (+) or repayment of long-term loans (-)	(1,990.2)	4,543.4
Cash flows from financing activities (C)	4,615.8	5,504.8
Change in cash in hand and at banks	(2,909.0)	(1,298.4)
Cash in hand and at banks in the beginning of the period	7,175.2	8,473.6
Cash in hand and at banks at end of the period	4,266.2	7,175.2

Notes to the Financial Statements

1. Accounting Principles

Consolidation

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

Supplements to the consolidated financial statement figures

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

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

Valuation principles and methods

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

Depreciation and amortisation periods are:

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

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

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

Items denominated in foreign currency

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

Revenue recognition

Revenue on products sold is recognised upon delivery of the goods. Revenue on service agreements is recognised on an accrual's 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 costs 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

	2019 €	2018 €
NBS Systems	1,036,234.62	1,274,611.60
NBT Systems	522,660.00	231,000.00
NBS Other sales	788,981.05	737,599.96
NBT Other sales	1,000,210.35	428,940.57
Total	3,348,086.02	2,672,151.12

Net sales by geographical area

	2019 €	2018 €
Finland	692,586.24	673,988.60
Rest of Europe*	1,652,015.35	840,792.18
North America	1,003,484.43	1,048,670.34
Other	0.00	108,700.00
Total	3,348,086.02	2,672,151.12

* including Russia

3. Other Operating Income

	2019 €	2018 €
Other income	24,104.01	8,623.59
Government grants	0.00	25,096.00
Total	24,104.01	33,719.59

4. Personnel Expenses

	2019 €	2018 €
Wages and salaries	(3,997,682.04)	(3,353,035.23)
Pension expenses	(330,120.15)	(336,504.73)
Other social security expenses	(385,234.42)	(247,954.28)
Total	(4,713,036.61)	(3,937,494.24)

	2019 FTE	2018 FTE
Average number of personnel	36	29

	2019 €	2018 €
Salaries and bonuses of directors		
CEO	448,596.00	448,500.00
Board of Directors	98,500.00	171,000.00
Total	547,096.00	619,500.00

5. Other Operating Expenses

	2019 €	2018 €
Travel expenses	(774,778.69)	(693,905.24)
Administration expenses	(570,615.83)	(539,390.20)
R&D	(559,652.85)	(577,179.34)
Legal and consultant fees	(386,256.21)	(503,425.94)
Marketing expenses	(321,865.73)	(334,900.60)
ICT expenses	(176,899.45)	(210,668.05)
Facility expenses	(137,004.64)	(138,410.99)
Voluntary social costs	(107,758.22)	(124,925.26)
Multi-Centre trial direct costs	(41,641.19)	(360,580.23)
Other	(570,981.70)	(502,556.86)
Total	(3,647,456.51)	(3,985,942.70)

Auditor's fees

	2019 €	2018 €
Audit	35,000.00	33,000.00
Non-audit services	4,270.00	0.00
Total	39,270.00	33,000.00

6. Financial Income and Expenses

	2019 €	2018 €
Other interest income and other financial income	1,286,078.63	858,137.89
Interest and other financial expenses	(1,545,545.31)	(695,093.79)
Total	(259,466.68)	163,044.10

7. Intangible Assets

Development costs

	2019 €	2018 €
1 January	71,638.99	70,498.46
Increases	38,904.00	36,322.00
Planned depreciation	(36,874.27)	(35,181.47)
31 December	73,668.72	71,638.99

Intangible rights (Patents)

	2019 €	2018 €
1 January	358,229.20	470,038.75
Increases	133,331.91	122,142.16
Planned depreciation	(201,295.43)	(233,951.70)
31 December	290,265.68	358,229.20

Notes for Balance Sheet

8. Tangible Assets

Machinery and equipment

	2019 €	2018 €
1 January	464,740.49	167,287.63
Increase	681,109.84	463,878.48
Decrease	0.00	(11,512.12)
Planned depreciation	(286,462.58)	(154,913.50)
31 December	859,387.75	464,740.49

9. Other Shares and Similar Rights of Ownership

Holdings in Group undertakings

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

10. Prepayments and Accrued Income

	2019 €	2018 €
Wage and salary receivables	0.00	0.00
Tekes grants	0.00	0.00
Other prepayments and accrued income	257,505.27	307,746.35
Total	257,505.27	307,746.35

11. Equity

	2019 €	2018 €
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	39,480,595.19	38,519,113.59
Increases	6,606,050.86	961,481.60
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	46,086,645.05	39,480,595.19
Retained earnings/(loss) 1 January	(39,854,868.07)	(33,078,326.43)
Reduction of share capital	0.00	0.00
Reduction of Share premium account	0.00	0.00
Adjustments for previous years	0.00	0.00
Translation difference	(269,202.81)	(622,223.04)
Profit/(loss) for the period	(6,782,638.33)	(6,154,318.60)
Retained earnings/(loss) 31 December	(46,906,709.21)	(39,854,868.07)
Total unrestricted equity	(820,064.16)	(374,272.88)
Total equity	(740,064.16)	(294,272.88)

Going concern

The financial statements for the 2019 have been prepared on the going concern basis, which assumes that Nexstim will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company estimates that it does not have enough working capital to meet its current needs, i.e. for a period of at least 12 months as of the date of these financial statements. Based on a conservative revenue forecast and expense estimate, and taking into account the cash at bank of the Company as at 31 December 2019 (EUR 4 million) the Company believes that an aggregate amount of EUR 2 million is sufficient to cover its working capital deficiency for at least the aforementioned 12-month period, assuming that the Company will be able to comply with the agreed terms of its loan agreement entered into with Kreos Capital V (UK) Limited ("Kreos") and no event of default or material adverse change occurs which would entitle Kreos to prematurely call back its loan. Based on such preconditions, the Company estimates that the current working capital suffices then until the end of Q2 2020.

In the event the preconditions regarding Kreos are not fulfilled, and Kreos calls back its loan, with outstanding interests and fees, an aggregate amount of EUR 4 million would then be estimated to be needed to cover the Company's working capital deficiency for at least the mentioned 12-month period, and the Company estimates that the current working capital suffices then until the end of May 2020.

The Company continues to carry out evaluation of different funding options and strategic alternatives for its businesses. These strategic alternatives may include divestment of its diagnostic business or even a public-to-private transaction concerning the entire Company, for the purposes of ensuring the Company's ability to continue as a going concern. If different funding options or strategic partnerships are not completed at all or completed only partially or if actual revenues are less than forecasted, 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, costs planned to build and improve its own sales and marketing organisation. As stated above the Company's liquidity and its effect on the Company's financial performance as well as the success of any financing options are affected by factors with significant uncertainty, which the management has taken into account when assessing the Company's ability to continue as a going concern. If additional financing is not obtained, the Company may meet serious financial difficulties.

Consolidated statement of changes in total equity

	Share capital €'000	Share issue €'000	Share premium account €'000	Reserve for invested unrestricted equity €'000	Retained earnings €'000	Equity total €'000
Equity on 31 December, 2018	80.0	0.0	0.0	39,480.6	(39,854.9)	(294.3)
Issue of shares				6,606.0		6,606.0
Profit/(loss) for the period					(6,782.6)	(6,782.6)
Translation difference					(269.2)	(269.2)
Equity on 31 December, 2019	80.0	0.0	0.0	46,086.6	(46,906.7)	(740.1)
	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December, 2017	80.0	0.0	0.0	38,519.1	(33,078.3)	5,520.8
Issue of shares				961.5		961.5
Profit/(loss) for the period					(6,154.3)	(6,154.3)
Translation difference					(622.2)	(622.2)
Equity on 31 December, 2018	80.0			39,480.6	(39,854.9)	(294.3)

Notes for Balance Sheet continued

12. Capital Loans

	2019 €	2018 €
1 January	200,000.00	300,000.00
Increases	0.00	0.00
Reductions	(100,000.00)	(100,000.00)
31 December	100,000.00	200,000.00

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

The Company on 2 June, 2015 agreed on a new payment plan with Valtiokonttori related to the 8 February, 2001 signed capital loan agreement of EUR 500.0 thousand. According to the new payment plan the capital will be repaid in full during the years 2016–2020 on fixed amortisation schedule. The accumulated accrued unpaid interest on the capital loans of the Company amounted to EUR 117.4 thousand at 31 December 2019 and it has been recognised as an expense in the income statement and as a liability on the balance sheet.

	€
Tekes capital loan balance 31 December 2019	100,000.00

13. Non-current Liabilities

Non-current liabilities

	2019 €	2018 €
Capital loans	0.00	100,000.00
Convertible bonds, Bracknor	0.00	0.0
Loan, Kreos Capital	988,942.44	2,996,236.26
Product development loans from TEKES	4,299,477.44	3,967,200.44
Deferred income	0.00	0.0
Total	5,288,419.88	7,063,436.70

Maturity of interest-bearing liabilities

	2019 €	2018 €
Interest-bearing liabilities total	5,288,419.88	7,163,436.70
Due later than five years	1,341,308.44	2,108,528.44

14. Accrued Expenses

	2019 €	2018 €
Holiday accrual	265,248.81	243,183.13
Accrued interest	134,143.52	118,564.35
Accrued pension expenses	0.00	0.00
Other accrued expenses	461,272.40	439,615.65
Total	860,664.73	801,363.13

15. Commitments

Leasing liabilities

	2019 €	2018 €
Due within next financial year	52,280.79	51,772.20
Due later	0.00	0.00
Total	52,280.79	51,772.20

16. Guarantees

	2019 €	2018 €
Rent deposits	41,249.35	54,961.88
Total	41,249.35	54,961.88

The following assets are pledged, by Nexstim and its respective subsidiaries, pursuant to security agreements as security for the amounts payable under the EUR 4 million Kreos loan agreement: Nexstim's bank accounts, promissory notes establishing a business mortgage over Nexstim's assets, intra-Group loan receivables, the Nex 10 and Nex 15 patent families and trademarks as specified in the relevant agreement and the shares in Nexstim's UK subsidiary Nexstim Ltd and shares in Nexstim's German subsidiary Nexstim Germany GmbH; the shares in Nexstim's US subsidiary Nexstim, Inc. as well as its assets capable of being pledged; and the bank accounts and receivables of Nexstim's German subsidiary Nexstim Germany GmbH. The Security Agreements also include Nexstim's US subsidiary Nexstim, Inc.'s guaranty agreement.

17. Shares of the Company

Shares of the Company consist of following share classes	2019 (pcs)	2018 (pcs)
A (1 vote/share)	62,786,630	3,253,751*
	62,786,630	3,253,751

* Effective 26 November 2018 the reduction of the quantity of Company's shares without reducing share capital by way of issuing new shares and by redemption of Company's own shares, in such a way that each 30 shares of the Company shall correspond to one share of the Company after the arrangement.

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

18. Stock Options and Warrants

At the date of this report the Company had four stock option incentive schemes; 2013A, 2016, 2017 and 2018. At the date of this report the Company held a total of 46,492 stock options 2016C, 16,111 stock options 2018A and 16,111 stock options under the stock option plan 2018B. All other stock options have been granted free of charge. The stock options will be offered to the key personnel and management of the Company and its subsidiaries for incentive and commitment purposes. The stock options may not be transferred to a third party and may not be given as a pledge without the approval of the Board of Directors of the Company.

In connection with merging of the share classes and share split on 29 September 2014, where the number of shares was increased 14-fold, the amount of option rights was increased respectively, and the maximum amounts were adjusted. In connection with the share reverse split on 26 November 2018, where the number of shares was decreased 30-fold, the amounts were decreased and subscription prices of option rights were increased respectively, and the maximum amounts were adjusted. Pursuant to the subscription of such rights issue which ended on 24 April 2019 in Sweden and on 26 April 2019 in Finland, the Board of Directors on 10 June 2019 resolved to amend the share subscription prices of the Company's stock option programs 2016B-C and 2017 so that the share subscription price of such stock option programs is comparable to the price prior to the subscription rights issue. With respect to the stock option program 2018, the subscription right cut-off date of rights issue in question took place during the pricing period of option rights 2018A and the pricing of option rights 2018A has been calculated based on the Nasdaq Helsinki post-rights-issue adjusted historical share prices of Nexstim Plc (NXTMH).

Option scheme	Subscription price/ share	Maximum amount of option rights	Subscription period
2013A	EUR 0.30	1,721 shares	1.12.2013-31.12.2020
2016B	EUR 0.92	94,191 shares	1.7.2019-15.12.2024
2016C	EUR 1.16	121,513 shares	1.7.2020-15.12.2025*
2017	EUR 0.92	39,285 shares	20.10.2018-31.3.2023
2018A	0.26	36,665 shares	1.7.2022-15.12.2027
2018B	**	36,665 shares	1.7.2023-15.12.2028

* 67,046 stock options of the stock options 2016C have been amended in such way that, that the first possible share subscription date is 1 July, 2021.

** The share subscription price for stock options 2018B is the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during 20 trading days following the release date of the Company's Financial Statements of the year 2019.

Notes for Balance Sheet continued

18. Stock Options and Warrants continued

Holdings of the Board of Directors and management team	(%)
Ownership based on proportion of total number of issued shares	14.14
Ownership based on proportion of total number of issued shares and option rights*	14.40
Proportion of votes based on ownership of shares	14.14
Proportion of votes based on ownership of shares and option rights*	14.40

* Assuming that all stock options are exercised

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

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

The financing arrangement with Kreos Capital approved by the AGM on 28 March 2018 also includes issuing warrants over new shares in Nexstim. The maximum number of new shares to which the warrants entitle will be 57,992 as further specified in the warrant agreement amended after the 26 November 2018 reverse split of the share.

Pursuant to subscription in the rights issue which ended on 24 April 2019 in Sweden and on 26 April 2019 in Finland, terms of the existing warrant agreements of the Company, the Board of Directors resolved on 23 May 2019 to amend the terms of such outstanding warrants (i.e. special rights to shares) in such way that the subscription price for one share (the exercise price) was lowered.

Warrant	Exercise price/share	Maximum amount of warrants	Expiry date
CBF1	EUR 4.94	12,629 shares	August 18, 2020
CBF2	EUR 2.90	21,513 shares	September 22, 2020
CBF3	EUR 1.95	34,231 shares	October 20, 2020
CBF4	EUR 1.76	74,384 shares	November 8, 2020
CBF5	EUR 1.68	148,769 shares	November 16, 2020
CBF6	EUR 1.60	334,462 shares	December 5, 2020
SEDA5	EUR 3.80	25,744 shares	January 17, 2020
SEDA6	EUR 3.80	195,851 shares	March 8, 2020
SITRA3	EUR 3.80	41,122 shares	March 14, 2020
SITRA4	EUR 3.80	17,211 shares	June 6, 2020
KREOS	EUR 1.60	57,992 shares	July 13, 2022

The total number of outstanding warrants at year end 2019 was 963,908 (see above for details). CBF1-6 warrants were issued as part of the Bracknor convertible bond facility (CBF) agreement between 18 August, 2016 and 5 December, 2016. SEDA5-6 warrants were issued as part of the Bracknor stand-by equity distribution agreement (SEDA) on 17 January, 2017 and 8 March, 2017. SITRA3-4 warrants were issued as part of the SEDA share issues to Sitra on 14 March, 2017 and 6 June 2017. KREOS warrants were issued as part of the loan drawn from Kreos Capital on 19 June 2018.

19. Restricted Share Unit Plans

The Annual General Meeting of shareholders 2016 decided that a restricted share unit plan be implemented to selected members of the Board of Directors of Nexstim Plc, the terms and conditions which can be found at www.nexstim.com. The plan includes four vesting periods, corresponding to the terms of office 2016–2017, 2017–2018, 2018–2019 and 2019–2020 of the members of the Board.

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

The Annual General Meeting held on 25 March 2019 resolved that the target group of the plan will be those members of the Board of Director who are independent of the Company. The reward allocations in 2019 will be determined in cash.

Allocation for Board members for the vesting period 2019-2020

The Annual General Meeting held on 25 March 2019 decided that for each Board member who is independent from the Company the grant gross value of the reward for the vesting period 2019–2020 will be EUR 12,500.

The granted reward will be converted into restricted share units at the beginning of the vesting period, in 2019. The conversion of the granted reward into restricted share units will be based on the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki Ltd during 20 trading days following the release date of the Company's Financial Statements from 2018. In the plan, one restricted share unit corresponds to one Company share. The value of the payable reward will be determined on the basis of the share price on the book-entry registration date of the paid shares.

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

Reward payment for Board members for the vesting period 2018-2019

Pursuant to the authorisation received from the Company's Annual General Meeting held on 25 March 2019 and the restricted share unit reward plan approved by the Annual General Meeting on 26 March 2016, the Board of Directors of the Company has resolved on issuing altogether 5,759 new shares without payment to four members of the Board of Directors. The members of the Board of Directors participating in the plan are Ken Charhut, Tomas Holmberg, Rohan Hoare and Juliet Thompson. Ken Charhut, Rohan Hoare and Juliet Thompson will each receive 1,354 shares and Tomas Holmberg will receive 1,697 shares based on the amount of the gross reward for the vesting period 2018–2019 determined by the Annual General Meeting on 28 March 2018.

Parent Company Financial Statement

Profit and Loss Statement

For the financial year ended 31 December 2019

	Note	1 January – 31 December 2019 €	1 January – 31 December 2018 €
NET SALES		3,703,603.14	2,299,849.85
Work performed for own purpose and capitalised		38,904.00	36,322.00
Other operating income	2	901,555.73	743,640.84
Materials and services			
Materials			
Purchases during the financial year		(1,522,999.69)	(984,821.59)
Increase (+) decrease (-) in inventories		212,289.32	(63,119.31)
Total		(1,310,710.37)	(1,047,940.90)
Personnel expenses			
Wages and salaries		(2,464,463.49)	(2,407,901.56)
Social security expenses			
Pension expenses		(330,120.15)	(336,504.73)
Other social security expenses		(25,786.04)	(56,642.33)
Total		(2,820,369.68)	(2,801,048.62)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(299,426.89)	(318,817.35)
Total		(299,426.89)	(318,817.35)
Other operating expenses		(2,529,809.15)	(3,223,806.13)
OPERATING PROFIT/(LOSS)		(2,316,253.22)	(4,311,800.31)
Financial income and expenses	3		
Other interest income and other financial income		1,074,607.82	1,917,473.72
Interest and other financial expenses		(5,309,591.49)	(4,879,848.58)
Total		(4,234,982.67)	(2,962,374.86)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(6,551,235.89)	(7,274,175.17)

Balance Sheet

	Note	31 December 2019 €	31 December 2018 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	4	73,668.72	71,638.99
Intangible rights		290,264.68	358,228.20
Total		363,933.40	429,867.19
Tangible assets			
Machinery and equipment	5	183,771.54	149,052.46
Total		183,771.54	149,052.46
Investments			
Investments in Group companies	6	408,896.52	408,896.52
Long-term receivables from Group companies		11,938,147.12	10,165,902.39
Other shares and similar rights of ownership		0.00	10,000.00
Total		12,347,043.64	10,584,798.91
NON-CURRENT ASSETS TOTAL		12,894,748.58	11,163,718.56
CURRENT ASSETS			
Inventories			
Raw materials and consumables		422,394.28	210,104.96
Total		422,394.28	210,104.96
Receivables			
Trade receivables		583,283.49	324,930.54
Short-term receivables from Group companies	7	1,549,385.49	2,698,947.16
Prepayments and accrued income		199,384.47	243,908.32
Other receivables		239,845.25	111,703.10
Total		2,571,898.70	3,379,489.12
Cash in hand and at banks		4,174,347.27	7,102,812.82
CURRENT ASSETS TOTAL		7,168,640.25	10,692,406.90
ASSETS TOTAL		20,063,388.83	21,856,125.46

Parent Company Financial Statement continued

Balance Sheet continued

	Note	31 December 2019 €	31 December 2018 €
EQUITY AND LIABILITIES			
EQUITY			
	8		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		46,086,645.05	39,480,595.19
Retained earnings/(loss)		(27,266,637.17)	(19,992,462.00)
Profit/(loss) for the financial year		(6,551,235.89)	(7,274,175.17)
TOTAL EQUITY		12,348,771.99	12,293,958.02
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans		0.00	100,000.00
Other interest-bearing loans		5,288,419.88	7,063,436.70
Deferred income		0.00	0.00
Total		5,288,419.88	7,163,436.70
CURRENT LIABILITIES			
Bank loans		988,571.20	1,103,763.74
Received prepayments		117,016.44	0.00
Trade payables		492,056.50	483,570.94
Other liabilities		80,542.01	68,740.21
Accrued expenses		748,010.81	742,655.85
Total		2,426,196.96	2,398,730.74
TOTAL LIABILITIES		7,714,616.84	9,562,167.44
EQUITY AND LIABILITIES TOTAL		20,063,388.83	21,856,125.46

Parent Company Cash Flow Statement

	1 January – 31 December 2019 €'000	1 January – 31 December 2018 €'000
Cash flows from operating activities		
Profit/(loss) for the financial period	(6,551.2)	(7,274.2)
Adjustments:		
Depreciation and amortisation according to plan	299.4	318.8
Other adjustments (income -/ expense +)	0.00	
Financial income and expenses	437.9	2,700.4
Cash flows before change in working capital	(5,813.9)	(4,255.0)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(1,926.7)	(2,896.8)
Increase (-) or decrease (+) in inventories	(212.3)	63.1
Increase (+) or decrease (-) in current interest-free payables	142.7	(266.5)
Cash flows from operations before financial items and taxes	(1,996.3)	(3,100.2)
Interest and other financial expenses paid	524.2	1,022.7
Cash flows from operating activities (A)	(7,286.1)	(6,332.4)
Cash flows from investing activities		
Investments in intangible and tangible assets	(258.2)	(191.2)
Cash flows from investments (B)	(258.2)	(191.2)
Cash flows from financing activities		
Share issue	6,606.0	961.5
Drawing (+) or repayment of long-term loans (-)	(1,990.2)	4,543.4
Cash flows from financing activities (C)	4,615.8	5,504.8
Change in cash in hand and at banks	(2,928.5)	(1,018.7)
Cash in hand and at banks in the beginning of the period	7,102.8	8,121.5
Cash in hand and at banks at end of the period	4,174.3	7,102.8

Notes to the Parent Company Financial Statements

1. Accounting Principles

Principles of the financial statements

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

Notes for Profit and Loss Account

2. Other Operating Income

	2019 €	2018 €
Other income	901,555.73	718,544.84
Government grants	0.00	25,096.00
Total	901,555.73	743,640.84

3. Financial Income and Expenses

	2019 €	2018 €
Other interest income and other financial income	1,074,608.82	1,917,473.72
Interest and other financial expenses	(5,309,591.49)	(4,879,848.58)
Total	(4,234,982.67)	(2,962,374.86)

The interest and other financial expenses include a EUR 3,104,860.25 and the other interest income and other financial income a EUR 1,394,766.71 impairment of receivables from Group Company Nexstim, Inc.

Notes to the Parent Company Financial Statements continued

Notes for Balance Sheet

4. Intangible Assets

Development costs

	2019 €	2018 €
1 January	71,638.99	70,498.46
Increase	38,904.00	36,322.00
Planned depreciation	(36,874.27)	(35,181.47)
31 December	73,668.72	71,638.99

Intangible rights (Patents)

	2019 €	2018 €
1 January	358,228.20	470,037.75
Increases	133,331.91	122,142.16
Planned depreciation	(201,295.43)	(233,951.71)
31 December	290,264.68	358,228.20

5. Tangible Assets

Machinery and equipment

	2019 €	2018 €
1 January	149,052.46	166,038.65
Increase	95,976.27	32,697.98
Decrease	0.00	0.00
Planned depreciation	(61,257.19)	(49,684.17)
31 December	183,771.54	149,052.46

6. Investments

Holdings in Group undertakings

Name	Domicile	%	Book value €
Nexstim Inc.	United States of America	100 %	635.72
Nexstim Ltd.	England	100 %	1,260.80
Nexstim Germany GmbH	Germany	100 %	25,000.00

Other investments in Group companies

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

Long-term receivables from Group companies

	2019 €	2018 €
Nexstim Inc. loan receivables	11,638,147.12	9,838,297.99
Nexstim Germany GmbH loan receivables	300,000.00	200,000.00
Nexstim Ltd loan receivables	0.00	127,604.40
Total	11,938,147.12	10,165,902.39

The Parent Company has outstanding long-term and short-term intercompany receivables from its subsidiaries of EUR 13.5 million. Considering the risk factors described in the sections "Going Concern" and "Major Risks and Uncertainties" related to the Company's ability to continue as going concern there is a significant uncertainty relating to the collectability and thus the valuation of the long-term and short-term intercompany receivables. If such receivables are not collected in full there is significant risk that the Parent Company's share capital would be lost.

7. Short-term Receivables from Group Companies

	2019 €	2018 €
Nexstim Inc. accounts receivables	0.00	50,553.14
Nexstim Germany GmbH accounts receivables	1,469,079.01	1,115,758.01
Nexstim Ltd accounts receivables	0.00	4,523.53
Nexstim Inc. interest receivables	0.00	1,439,218.56
Nexstim Germany GmbH interest receivables	80,306.48	58,233.85
Nexstim Ltd interest receivables	0.00	30,660.07
Total	1,549,385.49	2,698,947.16

8. Equity

	2019 €	2018 €
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	39,480,595.19	38,519,113.59
Increases	6,606,049.86	961,461.60
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	46,086,645.05	39,480,595.19
Retained earnings/(loss) 1 January	(27,266,637.17)	(19,992,462.00)
Adjustments for previous years	0.00	0.00
Translation difference	0.00	0.00
Profit/(loss) for the period	(6,551,235.89)	(7,274,175.17)
Retained earnings/(loss) 31 December	(33,817,873.06)	(27,266,637.17)
Total unrestricted equity	12,268,771.99	12,213,958.02
Total equity	12,348,771.99	12,293,958.02

Notes to the Parent Company Financial Statements continued

Notes for Balance Sheet continued

9. Commitments

Leasing liabilities

	2019 €	2018 €
Due within next financial year	3,193.32	1,524.00
Due later	6,386.64	1,524.00
Total	9,579.96	3,048.00

10. Guarantees

	2019 €	2018 €
Rent deposits	39,899.47	39,899.47
Total	39,899.47	39,899.47

Nexstim Plc

Signing the Annual Statement

Helsinki 27/2/2020

Leena Niemistö

Chairman of the Board

Rohan Hoare

Deputy Chairman of the Board

Martin Forss

Member of the Board

Tomas Holmberg

Member of the Board

Mikko Karvinen

CEO

Auditor signature

Auditors report has been given with this date

Helsinki 27/2/2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell

Authorised Public Accountant (KHT)

Auditor's Report (Translation of the Finnish Original) To the Annual General Meeting of Nexstim Plc

Report on the Audit of the Financial Statements

Opinion

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

What we have audited

We have audited the financial statements of Nexstim Plc (business identity code 162888-1) for the year ended 31 December 2019. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

Basis for Opinion

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

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

Independence

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

Material Uncertainty Related to Going Concern

We draw attention to note 11 in the financial statements and to the section "Going Concern" in the report of the Board of Directors, which describe the company's ability to continue as a going concern. The liquidity and its effect on the company's financial performance as well as the success of any financing options are affected by factors with significant uncertainty, which the management has taken into account when assessing the company's ability to continue as a going concern. If additional financing is not obtained, the company may meet serious financial difficulties.

Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to note 6 in the parent company's financial statements and to the section "Financing and liquidity" in the report of the Board of Directors, which describe significant uncertainty relating to the collectability and thus the valuation of the long-term and short-term intercompany receivables. If such receivables are not collected in full there is significant risk that the parent company's share capital would be lost.

Our opinion is not modified in respect of this matter.

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

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

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

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

In our opinion

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

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

Helsinki 27 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant (KHT)

Notes

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