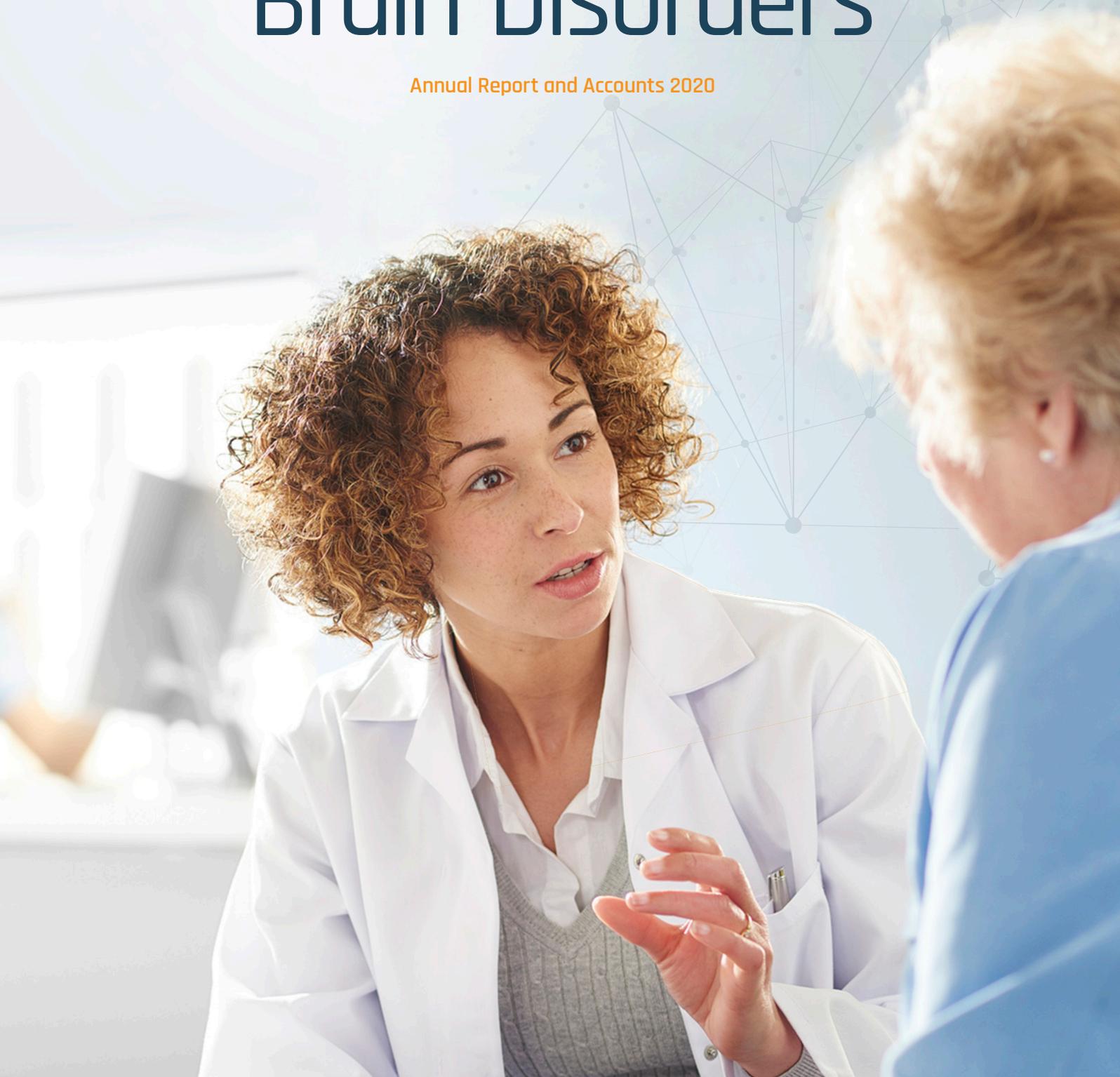


Nexstim

Personalised Therapy and Diagnostics for Brain Disorders

Annual Report and Accounts 2020



Nexstim is a Finnish, globally operating medical technology Company developing and offering solutions for non-invasive brain stimulation. Its unique navigated transcranial magnetic stimulation (nTMS) technology called SmartFocus[®] is used for diagnostics and therapy.

Our Values →

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.

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.

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Chair's Statement

Success in the Midst of Unprecedented Circumstances

The year 2020 created a very unprecedented and foggy environment due to the COVID-19 pandemic. At Nexstim we had to focus on securing the Company's financial state and sales. The year forced, and on the other hand, enabled us all to rethink our working methods and processes.



Dr. Leena Niemistö
Chairman of the Board

We succeeded in our efforts to such an extent that Nexstim reached its best financial year during our publicly listed history with a new record level of net sales and smallest loss for the period. I want to thank the whole Nexstim team for its determined ways of working for the Company's success.

Major depressive disorder is a growing challenge both for individuals and for society. The COVID-19 pandemic has even worsened the situation. Therefore, there is an urging need to find effective ways to alleviate the symptoms of these patients without side effects that are common in pharmaceutical, ECT and ketamine treatments.

Nexstim aims to be the new standard of care for treating challenging brain diseases and disorders. This is possible with Nexstim's unique, e-field navigated TMS technology that enables personalised diagnostics and therapies. Another success factor is the Nexstim team that is exceptionally committed, passionate and knowledgeable – something I seldom see elsewhere.

In 2021, Nexstim will bring value for shareholders by focusing on profitable sales growth in these continuing exceptional circumstances, by developing new partnerships and continuing the studies on accelerated treatment protocols.

At a Glance

Focused. Accurate. Non-Invasive.

Who We Are?

Nexstim has developed a unique, navigated transcranial magnetic stimulation (nTMS) technology called SmartFocus® nTMS. It is used for diagnosing and treating challenging brain diseases and disorders. SmartFocus® is used in both of our nTMS systems, one of which is used for therapy (NBT®) and the other one for neurosurgical diagnostics (NBS).

What We Do?

NBT® Navigated Brain Therapy System with SmartFocus® nTMS



> Depression
> Chronic Neuropathic Pain

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 chronic neuropathic pain.

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



> Pre-Operative Mapping

One of the most crucial pieces of information needed for neurosurgery is the tumour's or other brain lesion'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.

Where We Operate

Nexstim NBS and NBT® Systems have been sold to over 180 facilities worldwide for neurosurgical planning, multiple therapies, and research.

Nexstim's headquarter is in Helsinki, Finland. We have subsidiaries in the United States (Nexstim, Inc) and in Germany (Nexstim Germany GmbH).



“ We have been very impressed with the navigated Nexstim NBT® System which is clearly an advance on the brain stimulation systems we have used previously during the past 20 years.”

Dr. Andreas Winkler

Neurologist,
Head of the Neurological Department,
Klinik Pirawarth, Austria

■ Countries where we have customers

Australia
Austria
Belgium
Canada
Croatia
Denmark
Estonia
Finland
France

Germany
Greece
Hungary
Hong Kong /
China
India
Italy
Japan
Norway

Romania
Russia
Saudi Arabia
Spain
Sweden
Switzerland
Taiwan
UK
USA

How We Do it

SmartFocus® nTMS is Personalised and Accurate

Transcranial magnetic stimulation (TMS) is a non-invasive neuromodulation technique whereby pulses of electromagnetic fields target and interact with specific brain regions from outside the head.

Brains are like people: all individuals — and different. That is why it is important to know where and what dose is used to stimulate individual brain to get best possible outcome from the stimulation.

Nexstim SmartFocus® nTMS technology uses sophisticated navigation tools and 3D modelling which enables it to take into account the unique shape and conductivity of each patient's brain and the positioning of the coil on the patient's head. It uses this information to determine the location and orientation of the maximum induced E-field in the brain. Based on this, the system user is able to give the stimulation to the intended spot with accuracy in the millimetre range.

In addition, the advanced algorithms of SmartFocus® nTMS enable the stimulation dose to be quickly and accurately determined for each patient using their own neurophysiological readings.

SmartFocus®
nTMS

Chief Executive's Statement

Focus on Executing the New Strategy

For Nexstim, year 2020 was a time to adjust and learn a new way of doing business under the global health and financial crisis caused by the COVID-19 pandemic. This year we will focus on executing our renewed strategy for the years 2020–2024.



Mikko Karvinen
Chief Executive Officer

“We achieved the best year so far measured by several financial metrics.”

In spring 2020 we faced the COVID-19 crisis by safeguarding our valuable cash resources with a savings programme. We also wanted to ensure that the vast number of NBS and NBT® customers could continue to operate their systems in a very difficult, new environment. Also new ways of digital sales and marketing were quickly implemented to continue our growth path.

I am proud of our Nexstim teamwork under these extreme conditions, and as a sign of our success we achieved the best year so far measured by several financial metrics, including record revenue level. Fortunately, we have also been able to do our best to keep our personnel and family members safe and healthy.

The NBS business continued to be a significant source of income for the Company in the full year 2020, with NBS net sales growing by 19 percent to EUR 2.2 million. As a result, the Company's total net sales increased by 23 percent during the full year of 2020 to a new record level of EUR 4.1 million.

The NBT® business suffered a bit more from the effects of the COVID-19 pandemic. NBT® user clinics and hospitals had to limit treatments due to lockdown measures, and this slowed down the system and service sales especially in the US. We also had to drastically reduce our commercial personnel in our subsidiaries due to the cost-saving programme. Despite this, the net sales of the NBT® business increased by 28 percent during the full year 2020 and amounted to EUR 2.0 million. During full year 2020, we delivered and installed a total of eight new NBT® Systems – six in the US, and two in Europe and rest of the world. As a result, there were a total of 31 NBT® Systems installed worldwide for the treatment of depression and chronic neuropathic pain at the end of 2020.

Q&A

COVID-19's impact on Nexstim



Q. What were the COVID-19's biggest effects financially on Nexstim?

A. When this global health and financial crisis started to arise in early 2020, we had to initiate a major cost-savings plan which included layoffs in Finland affecting the full personnel and termination of employment of a total of six persons in the Company's foreign subsidiaries. These immediate measures were necessary to protect our short-term cash balances when facing this crisis.

Q. What measures were implemented to continue operations?

A. Our staff jumped very flexibly into digital operations: due to the travel restrictions, we implemented new digital channels to support our existing customers and to demonstrate our system to new potential users to support the sales. These new ways have generated very good feedback and they will be used also in the future to efficiently reach out to a growing number of customers.

Q. What measures were implemented internally to protect employees from COVID-19?

A. During the pandemic we have strongly recommended everyone to work remotely always when possible. At the office, we have provided our personnel with hygienic facilities and safety equipment including instructions on how to keep safe. Travel has been limited to the minimum. Fortunately our personnel and family members have been able to stay safe during this global epidemic.

We also saw continued development in sales concerning high-margin after-sales products, including revenue from services, support functions, spare parts, and disposables. During the full year 2020, Nexstim achieved an average of EUR 71 thousand in therapy revenue per NBT® system.

In October 2020 we were happy to report the clinical outcomes of the first 108 patients who had completed NBT® therapy for treatment of major depressive disorder (MDD) at clinical sites in the US. About 42 percent of these patients achieved clinical remission and 74 percent obtained a clinical response at the end of treatment. These outcomes are higher than what is usually reported for MDD: In a well-conducted multisite study, the patient-reported remission rates were 26.5–28.7 percent and response rates were 41.5–56.4 percent ¹.

2021 will be our first full year of executing our strategy that was renewed last summer. Our main strategic focus will stay in the therapeutic indications where we have brought the new accelerated therapy protocols to the core development path of our business. To validate higher efficacy rates with our system in accelerated therapy, we launched two pilot studies in Finland during 2020: one for severe depression at Kuopio University Hospital and another for therapy resistant chronic neuropathic pain at Helsinki University Hospital. I am encouraged about the early results from Kuopio and that we achieved our safety goals in this first study in a planned series of studies that now allows us to further develop and intensify the protocol to be used in the next trials. We will continue these trials with an increased number of patients.

We are confident that by further emphasising the unique navigation capabilities of the SmartFocus® nTMS technology, we can increase our market share. In the future, the need for a navigation function is likely to be further emphasised in treating hospitalised patients for severe, treatment-resistant depression (TRD) and possible suicidal ideation. This could potentially open a new TMS treatment market for Nexstim that is separate from the current treatment of patients with MDD.

2021 is a year of focused investments into accelerating our sales growth while continuing to secure the service business and increasing the utilisation of our existing installed base. We also aim to increase the number of patients with MDD treated with NBT® Systems and continue to collect the valuable patient registry data aiming to a patient data registry of over 200 completed treatment sessions of depression patients during year 2021. Although our focus is on therapy, we will continue to invest in the growth of the NBS business, for example, with recruitment of new sales team members to our US organisation, as neurosurgical operations seem to be continued almost unchanged despite the health crisis.

I know that our Nexstim team will work hard to increase the long-term shareholder value in the form of stronger competitive advantages, faster growth, and better financial results. While being optimistic about the future, we will continue to closely monitor the development of the COVID-19 pandemic as we operate our business.

28%

Growth in Company's NBT® Net Sales

23%

Growth in Company's Total Net Sales

¹ Carpenter L. et al. Transcranial magnetic stimulation (TMS) for major depression: a multisite, naturalistic, observational study of acute treatment outcomes in clinical practice. *Depress Anxiety*. 2012 Jul;29(7):587-96. Epub 2012 Jun 11.

Our Strategy

Well-Positioned for a Disruptive Shift in Therapy

In August 2020, Nexstim updated its strategy covering the years 2020–2024.

Nexstim has a platform nTMS technology with multiple applications and position as a premium priced system differentiated by e-field navigation. In diagnostics we have already sold over 180 NBS Systems around the world and now we are focused on maximising the potential of SmartFocus® nTMS in therapy.

Scope

Progress

Therapy

Our objective is recurring revenue optimisation through existing installed base and profitable new system growth in major depressive disorder (MDD) and chronic neuropathic pain. Launching a new severe depression indication business based on an accelerated therapy protocol.



Leverage this platform technology around selected therapeutic indications in selected markets (focus in the USA & EU) with new and existing TMS service providers:

- Treatment of MDD and severe depression
- Treatment of chronic neuropathic pain

We have an installed base of over 31 NBT® Systems in hospitals and clinics globally. We have started two new pilot studies in treating severe depression and chronic pain patients with accelerated therapy treatment protocols. In October we also announced that our depression patient registry is growing quickly and has already over 108 patients in it.

Diagnostics

Our objective is recurring revenue growth through an existing strong installed base and new sales development mainly through strategic partnerships.



Further develop this technology around motor and speech mapping of the brain in selected diagnostic indications in selected markets (focus in the USA & EU) with the world's leading hospitals:

- Preprocedural planning for difficult brain tumour and epilepsy patients
- Planning for patients undergoing radiotherapy for brain tumour

We already have several world-leading hospitals, such as Charité Berlin, Mayo Clinic and MD Anderson Cancer Center using our NBS Systems. In addition to tumour related research, our users are publishing more and more research concerning the use of the technology on radiotherapy and epilepsy patients.

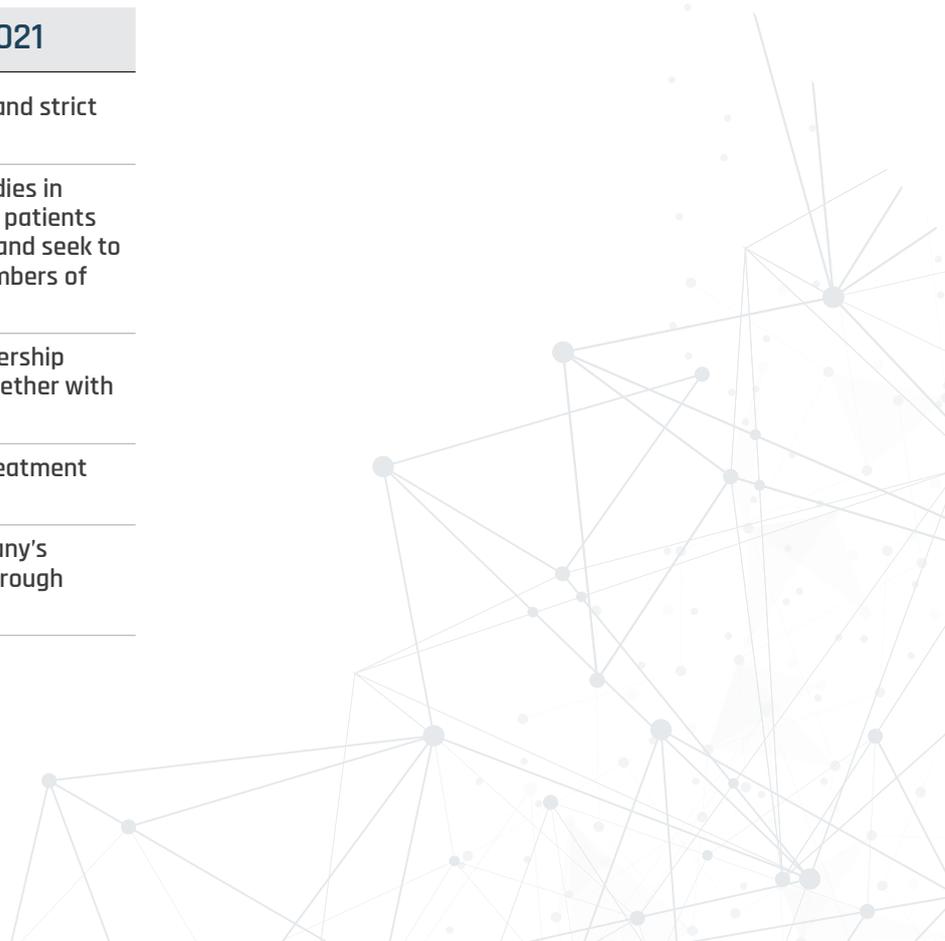
These selected diagnostic and therapeutic applications represent indications where:

1. Nexstim technology demonstrates recognisable clinical outcome and customer profitability
2. Hospital inpatient treatments are usually required
3. Integrated and easy to use navigated TMS device enables a future platform in other indications from day one



Key Strategic Objectives for Year 2021

- Focus on achieving profitable revenue growth and strict management of operating expenses
- Report first results from the two new pilot studies in treating severe depression and/or chronic pain patients with accelerated therapy treatment protocols and seek to move towards further trials with increased numbers of patients
- Develop and execute a deeper profitable partnership business model in the key therapy markets together with valued partners
- Patient data registry of over 200 completed treatment sessions of depression patients
- Secure funding to progress towards the Company's strategic vision from capital markets and/or through strategic partnerships



Market Overview

Rapidly Growing Markets

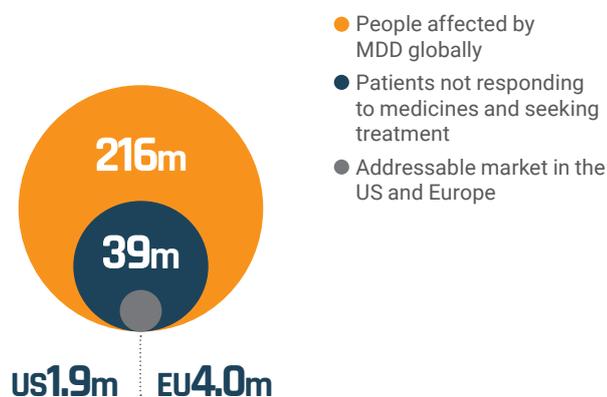
Depression Business Opportunity

- Major depressive disorder (MDD) affects 2–5% of the population in developed countries¹
- Existing psychotherapy and pharmacological treatment options are suboptimal
- Addressable market for NBT[®] treatment of depression of six million patients represents a total treatment value of over EUR 40 billion²
- Reimbursement for TMS is already available in US and some EU markets
- In 2020 NBT[®] system net sales grew by 28%

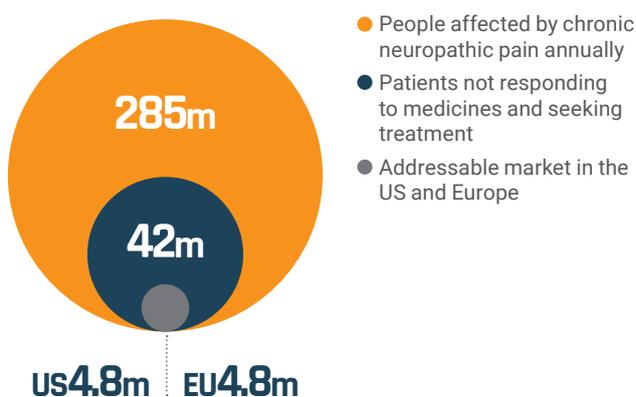
Neuropathic Pain Business Opportunity

- There are about 10 million addressable neuropathic pain patients in the US and Europe³
- 40–50% of neuropathic pain patients are without effective pain relief
- Study conducted by The Walton Centre, UK stated that 44% of patients undergoing NBT[®] therapy reported clinically meaningful pain relief of at least three weeks' duration
- The Walton Centre is currently conducting a follow up study to measure the long-term pain relief

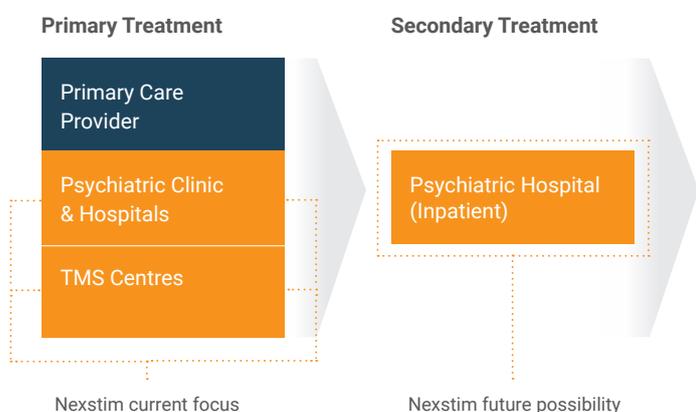
Market size estimate² (patients)



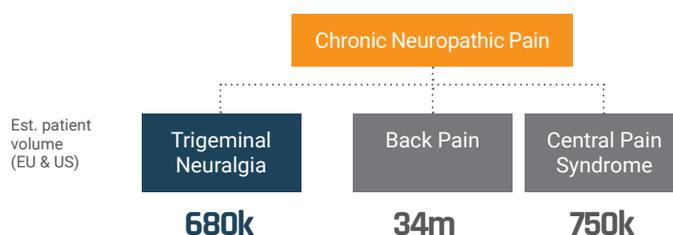
Market size estimate² (patients)



Patient treatment pathway for MDD in the United States



Selected types of chronic neuropathic pain²



“About 40% of all our patients have neuropathic facial pain. About 50% of our patients benefit from this treatment – this is a lot, because these are patients with Chronic Pain, on whom all types of medication have been tried before.”

Dr. Selja Vaalto, MD
University of Helsinki

1) Vos, T., et al. (2016) Global, regional, and national incidence, prevalence, and years lived with disability for 310 diseases and injuries, 1990–2015: a systematic analysis for the Global Burden of Disease Study 2015;
2) PMSI Consulting analysis, expert interviews, and estimates

3) Global Industry Analysts; Yawn, Barbara P. et al. (2009) The Prevalence of Neuropathic Pain: Clinical Evaluation Compared with Screening Tools in a Community Population; Fayaz A, Croft P, Langford RM, et al. (2016) Prevalence of chronic pain in the UK: a systematic review and meta-analysis of population studies

Key Trends

Trend 1

Accelerated Treatments in TMS Therapy

Accelerated TMS treatment delivers a similar number of pulses and treatment sessions over a significantly shorter period of time. The reduction in total treatment from four to six weeks down to five days offers significant advantages in terms of access and patient acceptance. The accelerated treatments aim to enable patients to respond to treatment in a period of days rather than weeks and may be able to help patients with the most severe cases of depression as well as patients suffering from therapy resistant chronic neuropathic pain.

Because of these possible advantages, accelerated rTMS is one of the trending research topics in the field.

Response

In 2020, Nexstim launched pilot studies on accelerated iTBS therapy both in the depression and chronic pain therapy in Finland. The results are estimated to be published in H1/2021. The most promising results of accelerated iTBS in depression till date have been obtained when individually tailored targeting of stimulation has been used.¹ The unparalleled accuracy and precision offered by Nexstim SmartFocus® nTMS makes Nexstim uniquely suited for novel treatment approaches like this.

Trend 2

Need for New Chronic Pain Treatments

Chronic pain is a mentally and physically disturbing condition and in addition, it is an important co-morbidity associated with e.g. depression and several other diseases¹. As chronic pain prevalence seems to increase with age, studies suggest a global trend of rising pain prevalence due to the aging population.²

However, the management of chronic pain remains generally quite unsatisfactory.¹ According to some studies (e.g. Breivik et al.) even nearly half of the patients have received inadequate pain management.³ In the United States the increasing frequency of individuals with chronic pain have even led to misuse of opioids.⁴ New treatment methods are urgently needed.

Response

Nexstim's NBT® System with SmartFocus® nTMS technology is the only fully integrated nTMS system with CE mark for treatment of chronic neuropathic pain. It is a drug-free treatment method. There are several hospitals using our system for chronic neuropathic pain treatment in Europe. A study conducted by The Walton Centre (UK) stated that 44 percent of patients undergoing NBT® therapy reported clinically meaningful pain relief of at least three weeks' duration. Moreover, Helsinki University started a pilot trial using Nexstim nTMS system on accelerated iTBS protocol treatment in therapy resistant chronic pain last autumn.

Trend 3

Connectivity Between Brain Areas as Basis for Therapy

When it comes to therapy, one of the trending topics is to consider a patient's brain circuitry and connectivity as a basis for more personalised treatment targeting. Research suggests that instead of only focusing on regional brain areas for neurological or psychiatric diseases, viewing the network of connected regions and how they correspond to the neurological and psychiatric symptoms could be more beneficial.¹

For therapy, this would mean using rTMS to tap into an unbalanced brain circuit, focusing treatment on specific points along the circuit that relate to those symptoms ailing the patient the most and then allowing the TMS action to naturally propagate through long-range connections to rebalance the rest of the brain circuit.

Response

To be able to influence these brain circuits with rTMS, MRI-navigated TMS technology, like Nexstim's SmartFocus® nTMS, is needed. SmartFocus® e-field navigated TMS is known for its unique accuracy on the order of millimetres.^{2,3} Nexstim systems are already fully equipped for this line of research and they have already been used in studies related to the brain networks.⁴

1) Cole, E. J. et al. Stanford accelerated intelligent neuromodulation therapy for treatment-resistant depression. *Am J Psychiatry*. 2020 Aug 1;177(8):716-726.

1) van Hecke, O. et al. Chronic pain epidemiology and its clinical relevance. *British Journal of Anaesthesia*. Volume 111, Issue 1, July 2013. 13-18.

2) Mills, S. et al. Chronic pain: a review of its epidemiology and associated factors in population-based studies. *British Journal of Anaesthesia*. Volume 123, ISSUE 2, e273-e283, August 01, 2019

3) Breivik, H. et al. Survey of chronic pain in Europe: Prevalence, impact on daily life, and treatment. *European Journal of Pain* Volume 10, Issue 4, May 2006, Pages 287-333.

4) New ways to treat the pain of the opioid crisis. *The Lancet*. Editorial| Volume 18, 100267, January 01, 2020

1) Fox, M. Mapping Symptoms to Brain Networks with the Human Connectome. *N Engl J Med* 2018; 379:2237-224.

2) Takahashi S, Vajkoczy P, Picht T. Navigated transcranial magnetic stimulation for mapping the motor cortex in patients with rolandic brain tumors. *Neurosurg Focus*. 2013;34(4):E3.

3) Tarapore PE, Tate MC, Findlay AM, et al. Preoperative multimodal motor mapping: a comparison of magnetoencephalography imaging, navigated transcranial magnetic stimulation, and direct cortical stimulation. *J Neurosurg*. 2012;117(2):354-362.

4) Wang, J. et al. Targeted enhancement of cortical-hippocampal brain networks and associative memory. *Science*. 2014 Aug 29;345(6200):1054-7

Stakeholder Engagement

Our Stakeholders

At Nexstim we know that stakeholder engagement is critical for managing our business and its impact and success. Our stakeholder groups include, but are not limited to, shareholders, customers, employees, and business partners. By understanding all of them and listening to their feedback we are able to incorporate their views and needs in our decision-making.

Our Stakeholders	How We Engage	Outcomes
Shareholders 	<p>With shareholders we engage by providing the required financial information and a steady flow of accurate and reliable news telling where we are at an operational level. This information is shared via Company announcements, press releases, investor events, social media and personal meetings. Our Chair and CEO are also continuously available to discuss matters of concern.</p>	<p>In 2020 we continued to develop an open and effective engagement with investors on key topics such as strategy and business performance. We increased the amount of published press releases to keep our shareholders better updated. We participated in virtual investor events and in addition, we launched our own investor live webinars.</p>
Customers 	<p>We have customer support persons who are in contact with our system users on a daily basis regarding training and support. In addition, we communicate with our customers on research projects to develop our technology further and to help more patients. We also conduct customer feedback surveys to know how we can do even better.</p>	<p>In our 2020 feedback survey, 82% of our customers described our product support quality "Excellent" or "Very good" compared to other medtech providers. 96 percent would "definitely" or "probably" recommend Nexstim TMS System to others. To support our customers in their work and research, we also launched an online webinar series where our system users can showcase their most recent work live and discuss with colleagues.</p>
Employees 	<p>We believe that motivated employees help the Company to success. We communicate with our employees via intranet, newsletters, town hall meetings and internal surveys. We encourage everyone to give feedback and discuss with the management team continuously as we want to maintain an open organisation with little hierarchy.</p>	<p>In 2020 we eased the information flow by launching new internal communications channels and by increasing the number of virtual town hall meetings. We also conducted several internal surveys about work culture, management and communications which gave us feedback to further develop our employee engagement.</p>
Business Partners 	<p>In many geographical market areas Nexstim works with business partners. These partners have existing distribution channels to the local markets and customers. We communicate with our distributors constantly to keep them trained and updated on the Company's news and on the other hand, to hear the feedback and news concerning the local market areas.</p>	<p>In 2020 we launched a suite of new materials and a new extranet to enable easier information flow and to help our distributors to succeed. We have increased the number of virtual meetings and online training sessions. In addition, Nexstim's enhanced online visibility (live webinars and social media) also helps our distributors to easily share Nexstim's marketing messaging in their market areas.</p>



Offering Advanced TMS Treatment to the Local Community

Rockford Psychiatric Medical Services is a private psychiatric clinic located in Illinois, US. They have used Nexstim NBT[®] system with SmartFocus[®] nTMS since fall 2019. Clinic's President & CEO, William J. Giakas, MD, tells about their clinic and the use of SmartFocus[®] TMS there.

For what do you use Nexstim NBT[®] System with SmartFocus[®] nTMS?

We treat depression patients with SmartFocus[®] nTMS. We prefer TMS 50Hz intermittent theta burst stimulation (iTBS) protocol because it is equally effective as longer protocols, and patients do not need to take off as much time from work to come for treatment. Also, there is evidence in the scientific literature that iTBS may induce longer lasting changes in neural networks (called long-term potentiation) which can be translated into longer lasting antidepressant effects.

How are patients tolerating the iTBS therapy?

My patients tolerate the three minute iTBS-TMS treatment exceptionally well and the response rates, even for patients who failed numerous medications, have been impressive. Many patients prefer this non-medication form of antidepressant/antianxiety treatment and are themselves surprised at the positive results. Even patients who have had chronic depression have had good responses, and in some cases, full remission of major depression.

What are your general experiences with the Nexstim SmartFocus[®] nTMS?

I could not be more excited to offer this advanced technology to the Rockford region. This system is very sophisticated and personalises treatment by using the patient's own brain MR images to guide focused stimulation of specific areas of the brain to relieve symptoms. It takes the guesswork out of finding the correct area to stimulate, compared to other systems which only estimate the correct area, or other systems which too widely stimulate the brain, and include areas not related to mood.

Board of Directors



Leena Niemistö
Chairman of the Board

Leena Niemistö has served as Chairman of the Board of Nexstim since November 2019. She is a healthcare professional with 30 years of clinical and leadership experience. She holds M.D. and Ph.D. from Helsinki University and has specialised in physical and rehabilitation medicine and has a doctorate in the treatment of chronic back pain. She holds also Dr. Admin. Sc. hc from Vaasa University.

She worked as a CEO in a private healthcare company Dextra (years 2003–2016) and a deputy CEO in a social and healthcare company Pihlajalinna (years 2013–2016). Currently she is a member of the Board of Directors in several publicly listed companies (Stockmann Plc, Pihlajalinna Plc and Raisio Plc). She is also an active investor in several health-tech growth companies.



Rohan J. Hoare
Deputy Chairman of the Board

Dr. Hoare is the CEO of Epiminder, a development stage epilepsy monitoring company. He has extensive experience in the neuromodulation industry, including spinal cord, deep brain, vagus nerve, occipital and esophageal stimulation.

Previous positions include President & CEO EndoStim, 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.



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 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.



Tomas Holmberg
Member of the Board

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

Tomas is also active in the Nordic-China corridor through his relationship with Shanghai-based M&A and strategy adviser 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 Laws from the University of Helsinki.

Management Team



1. Mikko Karvinen CEO

Mikko Karvinen started as Nexstim's CEO in February 2020. Mikko Karvinen joined Nexstim as CFO in August 2014. He is currently a Board Member at Buddy Healthcare Oy, previously held CFO and deputy CEO positions at two Nasdaq Helsinki listed tech-firms Innofactor Oyj and SSH Communications Security Oyj. Prior experience also includes various financial positions in Vaisala Oyj in their offices in both Finland and in the US.

Mikko holds a Masters in Science with a major in Management Accounting from Helsinki School of Economics in Finland and an Executive MBA from Aalto University, Helsinki.

2. Steve Beller Vice President and General Manager, North America

Steve Beller has extensive experience in the US neurostimulation market where he was most recently Area Vice-President at Abbott Neuromodulation, managing a team of over 170 people in the western half of the US.

Prior to this, Steve held Senior Director and Regional Sales Director roles at St Jude Medical Neuromodulation before it was acquired by Abbott. He holds a B.A. in political science at Texas A&M University.

3. Henri Hannula Vice President, International Sales and Marketing

Henri Hannula has risen through the ranks holding key leadership positions since joining Nexstim in 2001. He assumed the role of Vice President, Sales Europe in 2013.

Henri has been vital in the growth of Nexstim and has authored multiple articles on navigated transcranial magnetic stimulation published in peer-reviewed journals. He holds a Master of Science degree from Helsinki University of Technology, Finland.

4. Joonas Juukslahti CFO

Joonas Juukslahti started as Nexstim's CFO in February 2020. Joonas joined Nexstim in May 2014 as Business Controller and has been a key part of the Nexstim finance team especially in his position as Finance Manager.

He holds a Master of Science (M.S) with a major in Accounting and Finance from Turku School of Economics.

5. Gustaf Järnefelt Vice President, R&D

Gustaf Järnefelt has served as the Vice President, R&D since joining Nexstim in 2008. Prior to joining Nexstim, he spent 18 years with Instrumentarium then GE Healthcare serving several Manager, Director and General Manager roles in design, R&D, Engineering and Business Integration. He has spent more than five years abroad on assignment in the United States leading the Configured Patient Monitoring Business unit for Instrumentarium in Louisville, Colorado. Gustaf holds five patent families with multiple filings currently in process.

He has an education background from both Karlsruhe Germany Universität TH Karlsruhe (Institut für Werkzeugmaschinen und Betriebstechnik) and Helsinki University of Technology and holds a Master of Science from Helsinki University of Technology.

6. Hanna Kotola Vice President, Legal Affairs

Hanna Kotola is an experienced international executive having previously held Group Corporate Counsel, Senior Legal Counsel and Legal Counsel roles at Polar Electro Oy, Digita Oy and Nokia Oyj.

She holds a Candidate of Laws degree from University of Helsinki, Finland and an International Business Management Master degree from Arcada – University of Applied Sciences.

7. Jarmo Laine, MD Vice President, Medical Affairs

Jarmo Laine, MD, brings an extensive background as a licensed physician, with specialties in pediatrics, R&D and laboratory services. He holds an M.D. and Ph.D. from the University of Helsinki, Finland and an MBA from Helsinki University of Technology. Jarmo worked and trained throughout various hospitals in Finland and completed his post-doctoral research fellowship at Harvard Medical School in Boston, Massachusetts.

Prior to joining Nexstim in 2008, he held several leadership positions with the Finnish Red Cross Blood Service. Jarmo has over 60 publications in international journals in the fields of organ/cell transplantation, pediatric nephrology, cell biology and Navigated Brain Stimulation. In addition he holds three patents, with additional patents submitted in the field of stem cell therapies and navigated transcranial magnetic stimulation.

Nexstim Plc Report of the Board of Directors 2020

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 (rTMS) technology with highly sophisticated 3D navigation providing accurate and personalised targeting of the 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 2020 has been a time for Nexstim to adjust and learn a new way of doing business under the global health and financial crisis caused by the COVID-19 pandemic. This has also been the first year of developing and beginning to implement our newly renewed strategy for the years 2020–2024. Despite the pandemic affecting the therapy treatment market through extensive lockdowns both in the US and EU, the Company delivered a total of eight new NBT® Systems during year 2020, of which six systems were delivered to the US and two to Europe and rest of the world. The NBT® system active commercial installed base grew to a total of 31 systems at end of December 2020, of which the US NBT® system installed base was a total of 16 systems and in Europe and rest of the world a total of 15 NBT® Systems. The NBT® Systems have been delivered to US clinics for treatment of MDD, and to hospitals and clinics in Europe and 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 180 NBS systems.

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

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

EUR in thousands	1-12/2020 12 months	1-12/2019 12 months
Net sales	4,114.0	3,348.1
Personnel expenses	(3,731.5)	(4,713.0)
Other operating expenses	(2,429.3)	(3,647.5)
Depreciation and amortisation	(366.9)	(524.6)
Operating profit (loss)	(3,332.7)	(6,517.4)
Profit/Loss for the period	(4,121.6)	(6,782.6)
Earnings per share (EUR)	(0.02)	(0.25)
Cash flows from operating activities	(2,724.7)	(6,681.5)
Cash in hand and at banks	3,455.8	4,266.2
Total equity	(1,469.1)	(740.1)
Equity ratio (%)	(28.25)	(8.49)
Number of shares in the end of the period (pcs)	439,622,756	62,786,630
Average number of shares during the period (pcs)	267,693,026	27,611,274
Diluted number of shares in the end of the period (pcs)	478,834,792	64,080,578
Diluted average number of shares during the period (pcs)	290,420,292	36,392,323

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 and 31 December 2020 were EUR 4,114.0 thousand (3,348.1), an increase of 22.9 percent year-on-year.

NBT® net sales between 1 January and 31 December 2020 were EUR 1,951.8 thousand (1,522.9), an increase of 28.2 percent year-on-year.

NBS net sales between 1 January and 31 December 2020 were EUR 2,162.2 thousand (1,825.2), an increase of 18.5 percent year-on-year.

Work performed for own purpose and capitalised

Work performed for Nexstim's own purposes and capitalised between 1 January and 31 December 2020 was EUR 5.6 thousand (38.9). These amounts mainly consist of capitalised development costs.

Other operating income

Other operating income between 1 January and 31 December 2020 was EUR 50.5 thousand (24.1).

Materials and services

Materials and services expenses between 1 January and 31 December 2020 totalled EUR -974.9 thousand (-1,043.4).

Personnel expenses

Personnel expenses between 1 January and 31 December 2020 totalled EUR -3,731.5 thousand (4,713.0). The decrease in expenses was mainly due to the temporary layoffs in parent company in the spring and terminations of employment in foreign subsidiaries.

Depreciation and amortisation

Depreciation and amortisation between 1 January and 31 December 2020 amounted to EUR -366.9 thousand (-524.6).

Other operating expenses

Other operating expenses from 1 January and 31 December 2020 totalled EUR -2,429.3 thousand (-3,647.5). The decrease in expenses was mainly due to the cost-saving measures performed during spring as well as the impact of the COVID-19 pandemic on travel and marketing activities.

Operating profit (loss)

The operating loss between 1 January and 31 December 2020 was EUR -3,332.7 thousand (-6,517.4), a -48.9 percent decrease in loss.

Financial income and expenses

Net financial income and expenses between 1 January and 31 December 2020 was an expense of EUR -783.9 thousand (-259.5). The financial expenses consisted mainly of loan interests and subsidiary loan-related exchange rate losses. The income consisted mainly of the partial debt cancellation of Business Finland R&D loans.

Profit (loss) before taxes

Loss before taxes between 1 January and 31 December 2020 was EUR -4,116.6 thousand (-6,776.9), a -39.3 percent decrease in loss.

Income taxes

Income taxes between 1 January and 31 December 2020 was EUR -5.0 thousand (-5.7).

Profit/loss for the financial period

The loss for the period between 1 January and 31 December 2020 was EUR -4,121.6 thousand (-6,782.6), a -39.2 percent decrease in loss.

Financial Position

Non-current assets

The Company's non-current assets were EUR 846.9 thousand (1,223.3) as of 31 December 2020. Intangible assets amounted to EUR 332.1 thousand (363.9) at 31 December 2020 and consisted mainly of intangible assets related to capitalised development expenses and intellectual property rights. Tangible assets amounted to EUR 514.7 thousand (859.4) on 31 December 2020 and consisted mainly of capitalised NBT® Systems at customer sites.

Current assets

The Company's current assets amounted to EUR 5,384.5 thousand (6,431.4) as at 31 December 2020.

Equity

Consolidated shareholders' equity totalled EUR -1,469.1 thousand (-740.1) as at 31 December 2020.

Nexstim Plc Report of the Board of Directors 2020 continued

Financial Position continued

Liabilities

Non-current liabilities

The Company's non-current liabilities totalled EUR 3,891.9 thousand (5,288.4) as at 31 December 2020. 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 and the partial debt forgiveness of the Business Finland loans.

Current liabilities

The Company's current liabilities totalled EUR 3,808.6 thousand (3,106.4) as at 31 December 2020. The current liabilities mainly consist of bank loans, trade payables and accrued expenses.

Financing and Liquidity

Liquid assets, consisting of cash in hand and at banks, totalled EUR 3,455.8 thousand (4,266.2) at 31 December 2020.

The Company's net cash outflow from operating activities during 2020 was EUR -2,724.7 thousand (-6,681.5), a -59.2 percent decrease in negative operating cash flow.

Net cash flow from investments was EUR -9.5 thousand during the reporting period (-843.3).

Net cash flow from financing activities was EUR 1,904.9 thousand during 2020 (4,615.8). Financing through share issues amounted to EUR 2,224.1 thousand (6,606.0) in the 12-month period ended 31 December 2020.

The Parent Company has outstanding long-term and short-term intercompany receivables from its subsidiaries of EUR 14.9 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 2020 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 2020 (EUR 3.5 million) the Company believes that an aggregate amount of EUR 3 million is sufficient to cover its working capital deficiency for at least the aforementioned 12-month period.

The Company continues to carry out evaluation of different funding options and strategic alternatives for its businesses. On 8 February 2021 the Company published an invitation to an extraordinary general meeting to be held on 3 March 2021 related to raising additional funding. The shareholders are invited to the EGM to decide on authorisations for the Board of Directors to decide on share issues and issuances of option rights and special rights to shares. 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 of 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. As no binding decisions on additional financing have been made by the date of approval of the financial statements, the adequacy of financing represents a material uncertainty factor, which can compromise the Company's ability to continue operations. 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 the production.

The Company is organised in five operative functions:

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

At the end of the financial period 2020 Nexstim Group employed 31 full-time employees (FTEs) (2019: 37). Nexstim Plc employed 24 FTEs at the end of year 2020 (2019: 23). During the financial year 2020 Nexstim Group employed on average 33 FTEs (2019: 36 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 values

We 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.

Strategic statement

Nexstim has a platform TMS technology with multiple applications and position as a premium priced system differentiated by e-field navigation.

Diagnostic Objective: recurring revenue growth through existing strong installed base and new sales development mainly through strategic partnerships.

- Diagnostic Scope: Further develop this technology around motor and speech mapping of the brain in selected diagnostic indications in selected markets (focus in the USA & EU) with the world's leading hospitals:
 1. Preprocedural planning for difficult brain tumour and epilepsy patients
 2. Planning for patients undergoing radiotherapy for brain tumour

Therapy Objective: recurring revenue optimisation through existing installed base and profitable new system growth in major depressive disorder (MDD) and chronic neuropathic pain. Launching a new severe depression indication business based on an accelerated therapy protocol.

- Therapy Scope: Leverage this platform technology around selected therapeutic indications in selected markets (focus in the USA & EU) with new and existing TMS service providers:
 1. Treatment of MDD and severe depression
 2. Treatment of chronic neuropathic pain

Diagnostic and Therapy Advantages: These selected diagnostic and therapeutic applications represent indications where:

1. Nexstim technology demonstrates recognisable clinical outcome and customer profitability
2. Hospital inpatient treatments are usually required
3. Integrated and easy to use navigated TMS device enables a future platform in other indications from day one

Key Strategic Objectives for Year 2021

- Focus on achieving profitable revenue growth and strict management of operating expenses
- Report first results from the two new pilot studies in treating severe depression and/or chronic pain patients with accelerated therapy treatment protocols and seek to move towards further trials with increased numbers of patients
- Develop and execute a deeper profitable partnership business model in the key therapy markets together with valued partners
- Patient data registry of over 200 completed treatment sessions of depression patients
- Secure funding to progress towards the Company's strategic vision from capital markets and/or through strategic partnerships

Major Events in the Financial Period

On 16 January 2020, the Company announced that the technology licensing discussions with California-based academic institution described in a release dated 2 October 2019, have ended.

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

On 13 March 2020, the Company announced that it will initiate co-operation negotiations concerning all personnel in Finland. The Company expects the coronavirus situation to have a negative impact on the Company's business environment and that adjustment measures are essential to safeguard the Company's productional and economical operating conditions. Nexstim Group aims to reach up to EUR 3 million annual savings from its global operations.

On 26 March 2020, the Company announced that it has completed the co-operation negotiations. As a result, the Company decided to temporarily lay off all its personnel for maximum of 90 days. The layoffs may be executed as full-time or part-time layoffs. There were no terminations of employment in Finland. The cost-savings plan led to termination of employment of a total of six persons in the Company's foreign subsidiaries. The Company estimates that with these cost-saving measures, it will reach savings of approximately EUR 0.8 million during the next three months, with which when annualised, the Company will reach its target of up to EUR 3 million annual savings.

Nexstim Plc Report of the Board of Directors 2020 continued

Major Events in the Financial Period continued

On 3 April 2020, the Company announced that it will update its future outlook for the full year 2020 and sees that due to the coronavirus COVID-19 pandemic having a negative impact on the Company's business environment it's no longer possible to give an accurate net sales estimate for the full year 2020 before the length of the health crisis is better known.

The cost-saving measures announced on 26 March 2020 are expected to decrease the full year 2020 operating loss in comparison to year 2019. The Company estimates that with these cost-saving measures in place and loan repayments made according to earlier agreed schedules, the current working capital suffices then until end of Q3 2020. Updated Future Outlook: Full year 2020 operating loss is expected to decrease in comparison to year 2019.

On 24 April 2020, the Company announced that innovation funding agency Business Finland has decided that a total of EUR 0.9 million from the capital and interest of three loans granted for Nexstim's research and development projects has been settled by debt cancellation.

On 30 April 2020, the Annual General Meeting was held, after which the Company announced the following resolutions:

- The Annual General Meeting of Shareholders adopted the Company's financial statements, including the consolidated financial statements for the year 2019 and resolved that no dividend is paid for the financial year 1 January–31 December 2019 and that the loss of the financial year is recorded to the retained losses account. The Annual General Meeting discharged the members of the Board of Directors and the Managing Director from liability for the financial year 1 January–31 December 2019.
- In accordance with the proposal of the Nomination Board, the Annual General Meeting of Shareholders resolved that:
 - The number of members in the Board of Directors is to be four (4).
 - The Board members are elected to serve for a term ending at the end of the next Annual General Meeting.
 - Martin Forss, Tomas Holmberg, Leena Niemistö and Rohan Hoare shall continue as members of the Board of Directors in accordance with their consents.
 - Leena Niemistö shall, in accordance with her consent, be elected as the Chairman of the Board of Directors for the above-mentioned period and Rohan Hoare as the Deputy Chairman.
- In accordance with the proposal of the Nomination Board of Shareholders, the Annual General Meeting resolved that the members of the Board of Directors who are elected in the General Meeting shall be paid as follows for the term ending at the end of the Annual General Meeting in 2021: for the Chairman of the Board of Directors EUR 36,000; for a US member EUR 30,600; for a non-US member EUR 25,200. No Board member acting in the Nomination Board of the Shareholders shall receive any fees based on such membership. 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 Shareholders.
- In accordance with the proposal of the Nomination Board it was decided that the new members of the Board of Directors elected by the Extraordinary General Meeting of the Company on 11 November 2019 shall be paid half of the amount stipulated in the restricted share unit plan in Company shares for their contribution during 2019–2020. As a result, Leena Niemistö and Martin Forss shall each be issued, without payment, shares of the Company at a value of € 6,250, calculated using the formula stated in the restricted share unit plan.
- In accordance with the proposal of the Nomination Board, the Annual General Meeting decided that for a Board member, the gross value of the reward for the vesting period 2020–2021 will be as follows: For Chairman of the Board of Directors: 24 000 €; for a US member: 20 400 €; for a non-US member: 16 800 €. The granted reward will be converted into restricted share units at the beginning of the vesting period in 2020. 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 the 20 trading days following the release date of the Company's Annual Accounts of the year 2019. 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. It is strongly recommended that the participants hold shares paid as reward as long as their mandate as a member of the Board continues.
- The Annual General Meeting decided that PricewaterhouseCoopers Oy, Authorised Public Accountants, which has appointed APA Martin Grandell as responsible auditor, is appointed as the auditor to serve for a term ending at the end of the next Annual General Meeting of Shareholders. The auditor proposed herein has given its consent for the election. The auditor shall be paid reasonable remuneration in accordance with the invoice approved by the Company.
- In accordance with the proposal of the Nomination Board of Shareholders, the Annual General Meeting resolved that the first paragraph of Section 2 of the Charter for the Nomination Board of Shareholders is amended as follows: "The Nomination Board of Shareholders shall consist of three or four members, three of which shall be appointed by the Company's three largest shareholders who shall appoint one member each. The Chairman of the Company's Board of Directors may act as a fourth member of the Nomination Board. If the Chairman of the Company's Board of Directors is entitled to a membership of Nomination Board based on his/her ownership, or if he is appointed to the Nomination Board by a shareholder, the Nomination Board can consist of three members. The member appointed by the largest shareholder shall be the Chairman of the Nomination Board. Nomination Board's members shall be elected annually, and their term of office shall end when new members are elected to replace them."
- Annual General Meeting resolved to approve the following authorisation in accordance with the proposal of the Board of Directors:
 - The Annual General Meeting of Shareholders authorised the Board of Directors to decide on share issues as well as issues of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Companies Act, as follows: The shares issued under the authorisation are new or those in the Company's possession.
Based and within the limits of this authorisation, the Board of Directors can also decide on issuance(s) of option rights or other special rights set forth in Chapter 10 the Limited Liability Companies Act complementing or replacing issuance(s) of shares. Under the authorisation, a maximum of four hundred twenty million (420,000,000) shares may be issued, which corresponds to approximately 86.99 percent of all the shares in the Company after the share issue, provided that new shares are issued, considering all registered shares of the Company.

In issue of new ordinary shares, the shareholders have the right to subscribe for new shares in proportion to their existing holdings of the shares of the Company. The Board of Directors has the right to decide upon the offering to parties determined by the Board of Directors of any shares that may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right. In connection with any shares which remain unsubscribed in such subscription rights issue, the Board of Directors is authorised to resolve on directed share issues or directed issues of option rights or special rights entitling to shares in deviation from the shareholders' pre-emptive right, provided that there is a weighty financial reason for the Company to do so.

The Annual General Meeting of Shareholders authorised the Board of Directors to decide on share issues as well as issues of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Finnish Limited Liability Companies Act as follows:

- The Annual General Meeting of Shareholders authorised the Board of Directors to decide on share issues as well as issues of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Finnish Limited Liability Companies Act as follows: The shares issued under the authorisation are new or those in the Company's possession. Based and within the limits of this authorisation, the Board of Directors can also decide on issuance(s) of option rights or other special rights set forth in Chapter 10 the Limited Liability Companies Act complementing or replacing issuance(s) of shares.

Under the authorisation, a maximum of thirty-nine million (39,000,000) shares may be issued, which corresponds to approximately 38.32 percent of all the shares in the Company after the share issue, provided that new shares are issued, considering all registered shares of the Company.

The Board of Directors is authorised to resolve on all terms for the share issues and the terms for the granting of the option rights and other special rights entitling to shares. The Board of Directors is authorised to resolve on a directed share issue and issue of the special rights entitling to shares in deviation from the shareholders' pre-emptive right, provided that there is a weighty financial reason for the Company to do so.

On 30 April 2020, the Company announced that pursuant to the authorisation received from the Company's Extraordinary General Meeting on 11 November 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 today resolved on issuing altogether 78,606 new shares without payment to two members of the Board of Directors. The members of the Board of Directors participating in the plan are Tomas Holmberg and Rohan Hoare. Rohan Hoare will receive 31,250 shares and Tomas Holmberg will receive 47,356 shares based on the amount of the gross reward for the vesting period 2019–2020 determined by the Annual General Meeting on 25 March 2019.

Pursuant to the authorisation received from the Company's Extraordinary General Meeting on 11 November 2019 and based on the decision made by the Annual General Meeting today, the Board of Directors of the Company has also today decided, that the new members of the Board of Directors elected by the Extraordinary General Meeting of the Company on 11 November 2019 shall be paid half of the amount stipulated in the restricted share unit plan in Company's shares for their contribution during 2019–2020. Therefore, Leena Niemistö and Martin Forss will each be issued, without payment, shares of the Company at a value of €6,250, calculated using the formula stated in the restricted share unit plan. Leena Niemistö will receive 20,673 shares and Martin Forss will receive 17,067 shares.

On 30 April 2020, the Company announced that pursuant to the authorisation granted by the Annual General Meeting of the Company on 30 April 2020, the Board of Directors of the Company has today decided to arrange a rights issue of approximately EUR 2.3 million. Below is a summary of the offering:

- Nexstim's EUR 2.3 million issue of new shares (Offer Shares) is a subscription rights issue, in which current shareholders have a pre-emptive right.
- Each shareholder of Nexstim receives one (1) book-entry subscription right which entitles them to subscribe for Offer Shares (Subscription Right) against each of the Company's share held by a shareholder on 6 May 2020 (Record Date).
- Each one (1) Subscription Right grants a right to subscribe for six (6) Offer Shares at the subscription price of EUR 0.006 per Offer Share (Subscription Price). The Subscription Price for the Offer Shares that are registered with Euroclear Sweden and listed on the First North Sweden marketplace which is maintained by Nasdaq Stockholm AB, is 0.06 SEK per Offer Share.
- The subscription period for the Offer Shares begins on 11 May 2020 at 9.30 am Finnish time (8.30 Swedish time) and ends on 27 May 2020 16.30 Finnish time (15.30 Swedish time) in Finland and 25 May 2020 at 16.30 Finnish time (15.30 Swedish time) in Sweden.
- The Subscription Rights are freely transferable and are expected to be traded on the First North Finland marketplace (trading symbol NXTMHU0120) which is maintained by Nasdaq Helsinki Ltd (First North Finland) and on the First North Sweden marketplace which is maintained by Nasdaq Stockholm AB (First North Sweden) (trading symbol NXTMS TR) between 11 May 2020 and 20 May 2020.

On 11 May 2020, the Company announced that the Company will host webinars to present a Business Update and Information about the Rights Issue 2020.

On 25 May 2020, the Company announced manager's transactions where Kaikarhenni Oy (Leena Niemistö) subscribed for 52,133,756 shares at a unit price of EUR 0.006 as a part of the rights issue 2020.

On 1 June 2020, the Company published the preliminary results of the successful rights issue. The offering was oversubscribed and total of 273% shares were subscribed for of the shares offered.

Nexstim Plc Report of the Board of Directors 2020 continued

Major Events in the Financial Period continued

On 10 June 2020, the Company published the final results of the successful rights issue and according to the final results, the rights issue was oversubscribed, and the number of share subscriptions corresponded to 273% of the offered shares. Of the 376,719,780 new shares offered in the Share Issue (the Offer Shares) 336,033,654 were subscribed using subscription rights (approximately 89.2 percent of the Offer Shares), so that the remaining Offer Shares, i.e. 40,686,126 Offer Shares (approximately 10.8 percent of the Offer Shares) were allocated in compliance with the terms and conditions of the Share Issue to the secondary subscriptions by those having subscribed on the basis of subscription rights. According to the final results of the Share Issue, no Offer Shares were allocated to anyone subscribing Offer Shares without subscription rights.

The final results indicate that the parties making subscription commitments, i.e. Capricorn Healthtech Fund, Kaikarhenni Oy, Ossi Haapaniemi with his related-party companies, as well as members of the Company's management team and some members of its Board of Directors, have subscribed a total of 110,371,150 shares, corresponding to approximately 29.3 percent of all Offer Shares and approximately EUR 0.66 million.

Due to subscription price in SEK and respective currency difference, Nexstim raised with the Share Issue gross funds of approximately EUR 2.2 million, which, after deduction of the fees and expenses of the Share Issue, amounted to approximately EUR 2.1 million.

On 10 June 2020, the Company announced the amendments of the terms of stock option programmes and warrants related to the rights issue 2020. According to the terms and conditions of the stock option programmes and the warrant agreements, the share subscription prices shall be amended, so that the share subscription price of such stock option programmes or warrants is comparable to the price prior to the subscription rights issue.

On 10 June 2020, the Company announced that the Board of Directors of Nexstim resolved on 10 June 2020, to launch a new stock option plan aimed at the personnel, management and other interest groups of Nexstim Plc and its subsidiaries, by virtue of an authorisation granted by Annual General Meeting of Shareholders of the Company on 30 April 2020.

The Company has a weighty financial reason for the issue of stock options, since the stock options are intended to form part of the incentive and commitment programme for the personnel, management and other interest groups. The purpose of the stock options is to encourage the personnel, management and other interest groups to work and co-operate on a long-term basis to increase shareholder value. The purpose of the stock options is also to commit the personnel, management and other interest groups to the Company.

The maximum total number of stock options 2020 to be issued is 39,000,000 and they entitle their owners to subscribe for a maximum total of 39,000,000 new or treasury shares in the Company. The Board of Directors will resolve whether new or treasury shares are given to subscribers. The number of shares subscribed by exercising stock options 2020 corresponds to a maximum total of 8.15 percent of all shares in the Company after the potential share subscription, if 39,000,000 new shares are issued.

Of the stock options, 13,000,000 are part of stock options 2020A; 13,000,000 stock options 2020B; and 13,000,000 stock options 2020C. The share subscription period for stock options 2020A will be 1 July 2022–15 December 2027; for stock options 2020B: 1 July 2023–15 December 2028; and for stock options 2020C: 1 July 2024–15 December 2029.

All stock options will be issued gratuitously. The share subscription price for stock options 2020A is based on the trade volume weighted average price for the Company's share in Nasdaq First North Growth Market Finland during the period of the last 20 days preceding this decision date. The share subscription price for stock options 2020B is the trade volume weighted average quotation of the share on Nasdaq First North Growth Market Finland during twenty (20) trading days following the release date of the Company's Financial Statements of the year 2020; and the share subscription price for stock options 2020C the trade volume weighted average quotation of the share on Nasdaq First North Growth Market Finland during twenty (20) trading days following the release date of the Company's Financial Statements of the year 2021. The share subscription price will be credited to the reserve for the Company's invested unrestricted equity. The shares must be paid upon subscription. The terms of the stock options 2020 are available on the Company's websites.

On 12 June 2020, the Company announced that it has appointed Erik Penser Bank AB as its new Certified Adviser for Nasdaq First North Growth Market Finland and Nasdaq First North Growth Market Sweden trading facilities.

On 16 June 2020, the Company announced that the Board of Directors has appointed, effective immediately, the current interim CEO Mikko Karvinen as permanent CEO and the current interim CFO Joonas Juokslahti as permanent CFO.

On 16 June 2020, the Company announced that pursuant to the stock option programme 2020 announced on 10 July 2020, the Board of Directors has resolved to grant in total 8,386,667 stock options to its CEO which entitle to subscribe for a maximum of 8,386,667 new shares in Nexstim in accordance with stock option terms approved on 10 June 2020. Accordingly, the Board of Directors has resolved to grant in total 14,280,000 stock options to other members of its management group which entitle to subscribe for a maximum of 14,280,000 new shares in Nexstim in accordance with stock option terms approved on 10 June 2020.

2,590,000 of such stock options granted to the CEO are series 2020A options, 2,836,667 are series 2020B options and 2,960,000 series 2020C options, and 4,410,000 of such stock options granted to the other members of the management group are series 2020A options, 4,830,000 are series 2020B options and 5,040,000 series 2020C options.

On 13 August 2020, the Company announced that following a thorough review of the Company's corporate strategy conducted together with the Board of Directors and the management team, it now provides an update to its strategy covering the years 2020–2024 and also key strategic objectives for the first execution year 2020. Strategy comprehensively in section Strategy.

On 14 August 2020, the Company conducted a live webinar for media, investors and analysts. Mikko Karvinen CEO, and Joonas Juokslahti CFO presented the financial and operational results.

On 14 September 2020, the Company announced a change in the composition of the Shareholders' Nomination Committee. Kyösti Kakkonen representing Joensuun Kauppa ja Kone Oy was appointed as a new member of the Nomination Committee. He is replacing Katya Smirnyagina, representative of Capricorn Health Tech Fund in the Nomination Committee. Leena Niemistö, Chairperson of the Board of Nexstim and representative of its largest shareholder, continues to Chair the Nomination Committee, and Ossi Haapaniemi continues as a member of the Committee.

On 22 September 2020 the Company announced that a pilot study on the use of accelerated iTBS protocol in treatment of severe depression with Nexstim NBT® system is starting at Kuopio University Hospital. Accelerated iTBS means transcranial magnetic stimulation (TMS) therapy where stimulation is given several times per day for one week whereas in conventional TMS therapy, stimulation is given once a day during several weeks. In the pilot study, the effectiveness of the accelerated iTBS protocol will be tested in 10 patients comparing to 10 patients who participate in conventional TMS therapy. The patient treatments in the study are expected to be completed by the end of 2020. The results of the study will be announced as soon as possible after their completion.

On 25 September 2020, the Company announced that a pilot study on the use of accelerated iTBS protocol in treatment of therapy resistant, chronic neuropathic pain with Nexstim NBT® system is starting at Helsinki University Hospital. Accelerated iTBS means transcranial magnetic stimulation (TMS) therapy where stimulation is given several times a day during individual days. In conventional TMS therapy for pain, stimulation is given once a day during several weeks. In the Helsinki University Hospital pilot study, the effectiveness of the accelerated iTBS protocol will be tested on between five and ten patients. They are suffering from therapy resistant, chronic neuropathic pain and have not benefited from prior 10 Hz rTMS treatment targeted to the motor cortex. Their treatment will begin in the last quarter of this year and all the treatments are estimated to be completed in first half of 2021. The results of the study will be announced as soon as possible after their completion.

On 10 November 2020, the Company announced that it will update its future outlook. The demand for the Company's products and services has remained strong despite the changes in business environment due to COVID-19 epidemic. The Company has also successfully implemented new ways of working remotely, which enables sales efforts and customer support despite the global pandemic. Nexstim estimates that the positive business development in the first half of 2020 will continue also in the second half. Updated Future Outlook: Full year 2020 net sales are estimated to increase, and operating loss is expected to decrease in comparison to year 2019. This updated future outlook replaces the previous 2020 financial guidance given on 3 April 2020, in which the Company estimated that based on its business forecast, the operating loss was expected to decrease in comparison to year 2019.

On 18 November 2020, the Company announced that it has received an order and signed a purchase agreement to develop two prototype systems enabling introduction of a novel research tool for probing and diagnosing the brain. The buyer of the prototype systems is a foundation based in the United States. The buyer will donate the equipment to certain designated third-party institutions in the United States and Europe. These institutions will conduct the actual research. The two systems ordered are medical device prototypes based on Nexstim's Navigated Brain Stimulation (NBS) System using SmartFocus® nTMS technology. In the project, Nexstim will develop these two prototype NBS Systems to allow the introduction of novel stimulation paradigms and diagnostics in the future. These two systems are sold only for research use and they are not FDA cleared or CE marked for any clinical indications. The delivery of the two prototype systems and EUR 0.9 million revenue recognition are scheduled to take place in H2 2021.

On 27 November 2020, the Company provided an update on the pilot study on the use of accelerated iTBS protocol in treatment of severe depression with Nexstim NBT® System at Kuopio University Hospital. Nexstim announced on 22 September 2020 that the pilot study is starting and estimated that the patient treatments in the study of 10 patients would be completed by the end of 2020, and the results would be made public once available. Nexstim now reports that treatment of study patients has started as planned and several patients have completed the treatment. However, Nexstim currently estimates that the treatment of some patients will continue during Q1 2021. The Company continuously assesses the development of the pandemic, and if the situation would get noticeably worse, that might have an impact on patient recruitments and treatments. As previously announced, the results will be made available once available. Nexstim is pleased with the progress of the pilot study in the present extraordinary circumstances effected by the COVID-19 pandemic.

On 15 December 2020, the Company announced that its Board of Directors has resolved in its meeting on 15 December 2020 on annulment of in total 3,108 option rights 2016B; in total 65,827 option rights 2016C; in total 33,888 option rights 2018A; and in total 33,888 option rights 2018B which are in the possession of the Company or have been returned to the possession of the Company due to ended employments. Pursuant to the annulment, no option rights in those plans remain in the possession of the Company. The Board of Directors of the Company also resolved on annulment of all option rights in the stock option plan 2017 which have been returned to the possession of the Company due to an ended employment and resolved on termination of the stock option plan 2017.

On 21 December 2020, the Company announced that it will publish the following financial information in 2021:

The 2020 Financial Statements Release and Half-Yearly Report July–December 2020 (H2) on Friday, 26 February 2021. Half-Yearly Report January–June 2021 (H1) on Friday, 13 August 2021. Nexstim's Annual Report 2020 will be published and also available on the Company's website on Friday, 5 March 2021. The Annual General Meeting is tentatively scheduled to be held on Thursday, 29 April 2021 at 10:00 am.

Nexstim Plc Report of the Board of Directors 2020 continued

Major Events after the Financial Period

On 20 January 2021, the Company announced resolutions of its Shareholder's Nomination Board. Rohan Hoare, who has been a member of Nexstim's Board of Directors since 2016, and Tomas Holmberg, who has been a member of Nexstim's Board of Directors since 2017, have announced that they will no longer be available to the Company's Board of Directors for the period 2021–2022. At its meeting, the Nomination Board of the Company has decided to propose to the General Meeting Timo Hildén and Tero Weckroth as new members of the Board.

On 8 February 2021, the Company invited shareholders to the Extraordinary General Meeting of the Company to decide on authorisations for the Board of Directors to decide on share issues and issuances of option rights and special rights to shares. The Extraordinary General Meeting will be held on Monday, 1 March 2021 commencing at 1pm (EET) at the Nexstim Headquarters.

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

Future Outlook

Based on its business forecast, the Company expects its revenue to continue to grow during year 2021 and a loss for the period is expected for the financial year.

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 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 but 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 in the 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 regulation or possible future decision to start to apply International Financial Reporting Standards
- The Company may become subject to product liability claims and other claims
- The Company may in the future be involved in litigation and 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
- The ongoing COVID-19 pandemic is a significant health and macroeconomical risk which could affect the health of Nexstim Group's personnel as well as Nexstim Group's business.

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

Share and Shareholders

As at 31 December 2020, the fully paid-up share capital of Nexstim Plc amounts to EUR 80,000.00, consisting of 439,622,756 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 2020, 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 presented share price information from Nasdaq First North Growth Market Finland is in euro (EUR) and share price information from Nasdaq First North Growth Market Sweden is in Swedish krona (SEK).

Between 1 January and 31 December 2020, the highest price of the Company share was EUR 0.11 (2019: EUR 0.90) and SEK 1.05 (2019: SEK 8.60), the lowest price was EUR 0.005 (2019: EUR 0.07) and SEK 0.07 (2019: SEK 0.81), and the average price was EUR 0.04 (2019: EUR 0.15) and SEK 0.34 (2019: SEK 1.71). The closing price for 2020 on 30 December 2020, was EUR 0.098 (2019: EUR 0.12) and SEK 0.98 (2019: SEK 1.22).

In public trading between 1 January and 31 December, 2020, a total of 1,095,094,155 shares were traded, which corresponds to 409.1 percent of the average number of shares on the said period. Between 1 January and 31 December 2020, there were 267,693,026 shares on the average.

The market value of the share capital at the closing price of 2020, EUR 0.098 and SEK 0.98, on 30 December 2020, was EUR 43,083 thousand (2019: EUR 7,220) and SEK 432,589 thousand (2019: 76,286).

On 31 December 2020, the Company had 10,110 (2019: 6,044) shareholders including the nominee registers (10 registers). The share of nominee registered ownership was 25.02 percent (2019: 42.9) of the total number of shares.

Nexstim Plc Board of Directors had on 31 December 2020 the following authorisations granted.

The Annual General Meeting of Shareholders authorised the Board of Directors to decide on share issues as well as issues of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Companies Act, as follows:

The shares issued under the authorisation are new or those in the Company's possession. Based and within the limits of this authorisation, the Board of Directors can also decide on issuance(s) of option rights or other special rights set forth in Chapter 10 of the Limited Liability Companies Act complementing or replacing issuance(s) of shares.

Under the authorisation, a maximum of four hundred twenty million (420,000,000) shares may be issued. In issue of new ordinary shares, the shareholders have the right to subscribe for new shares in proportion to their existing holdings of the shares of the Company. The Board of Directors has the right to decide upon the offering to parties determined by the Board of Directors of any shares that may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right. In connection with any shares which remain unsubscribed in such subscription rights issue, the Board of Directors is authorised to resolve on directed share issues or directed issues of option rights or special rights entitling to shares in deviation from the shareholders' pre-emptive right, provided that there is a weighty financial reason for the Company to do so. The shares and option rights or other special rights entitling to shares can hence be issued in one or more tranches.

The authorisation does not invalidate prior resolved and registered authorisations made at the General Meeting of Shareholders regarding share issues and issuances of option rights and other special rights entitling to shares.

The remaining amount of the authorisation granted on the date of this report is 43,280,220 shares and the authorisation is valid for one (1) year from the decision of the Annual General Meeting of Shareholders.

Nexstim Plc Report of the Board of Directors 2020 continued

Share and Shareholders continued

The authorisation may be used for the future financing needs of the Company, developing the equity structure, minimising or reducing debts and possible mergers and acquisitions and other corporate purposes.

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Nexstim Plc shareholders at the end of year 2020 was as follows.

Shareholder	No. of shares	Holding %
1. NORDEA BANK ABP*	99,409,230	22.61
2. KAIKARHENNI OY	65,352,292	14.87
3. HAAPANIEMI OSSI	40,873,208	9.30
4. JOENSUUN KAUPPA JA KONE OY	13,947,182	3.17
5. SYRJÄNEN EVA ANNIKA ELISABETH	8,682,387	1.97
6. WETROCK CAPITAL & CONSULTING OY	7,500,000	1.71
7. KALKSTEN PROPERTIES KOY	7,300,701	1.66
8. CLEARSTREAM BANKING S.A.*	6,832,382	1.55
9. K22 FINANCE OY	6,001,000	1.37
10. NIUKKANEN PENTTI JUHANI	5,000,000	1.14
11. KAKKONEN KARI HEIKKI ILMARI	3,100,000	0.71
12. KIVINEN HARRI JUHANI	3,100,000	0.71
13. JOKINEN JUKKA	3,000,000	0.68
14. FILÉN HARRI JOHANNES	2,500,000	0.57
15. NIINISTÖ TIMO JUHANI	2,488,170	0.57
16. DANSKE BANK A/S HELSINKI BRANCH*	2,169,803	0.49
17. PETTERSSON JAN ÅKE	2,000,000	0.45
18. KAUKORANTA EERO ONNI	1,980,000	0.45
19. HIMANKA REIJO JUHANI	1,820,000	0.41
20. MERO MATTI ANTERO	1,673,002	0.38

* 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 2020: Leena Niemistö (Chairman), Martin Jamieson (Chairman until 11 February 2020), Rohan Hoare (Deputy Chairman since 11 November 2019), Martin Forss and Tomas Holmberg. The Board of Directors convened 19 times during 2020.

CEO

Mikko Karvinen (since 11 February 2020) and Martin Jamieson (up to 11 February 2020) acted as CEO of Nexstim Plc and Group during 2020.

Management team

The following members were part of Nexstim Group management team during 2020: Mikko Karvinen (CFO until 11 February 2020 and CEO since 11 February 2020), Martin Jamieson (CEO until 11 February 2020), Steve Beller (Vice President and General Manager, North America), Henri Hannula (Vice President, International Sales and Marketing), Joonas Juokslahti (CFO since 11 February 2020), Gustaf Järnefelt (Vice President, R&D), Hanna Kotola (Vice President, Legal), 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 2020, the distributable assets of the Group's Parent Company were EUR 12,353,405.03. The Board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2020.

Consolidated Financial Statements

Profit and Loss Statement

For the financial year ended 31 December 2020

EURO	Note	1 January – 31 December 2020	1 January – 31 December 2019
NET SALES	2	4,113,959.23	3,348,086.02
Work performed for own purpose and capitalised		5,558.00	38,904.00
Other operating income	3	50,463.89	24,104.01
Materials and services			
Materials			
Purchases during the financial year		(936,212.35)	(1,269,733.17)
Increase (+) decrease (-) in inventories		(38,657.87)	226,316.05
External services		0.00	0.00
Total		(974,870.22)	(1,043,417.12)
Personnel expenses	4		
Wages and salaries		(3,121,963.72)	(3,997,682.04)
Social security expenses			
Pension expenses		(302,587.06)	(330,120.15)
Other social security expenses		(306,978.70)	(385,234.42)
Total		(3,731,529.48)	(4,713,036.61)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(366,950.11)	(524,632.28)
Total		(366,950.11)	(524,632.28)
Other operating expenses	5	(2,429,349.41)	(3,647,456.51)
OPERATING PROFIT/(LOSS)		(3,332,718.10)	(6,517,448.49)
Financial income and expenses	6		
Other interest income and other financial income		1,936,824.11	1,286,078.63
Interest and other financial expenses		(2,755,582.81)	(1,545,545.31)
Total		(783,920.03)	(259,466.68)
PROFIT/(LOSS) BEFORE TAXES		(4,116,638.13)	(6,776,915.17)
Income taxes		(4,977.40)	(5,723.16)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(4,121,615.53)	(6,782,638.33)

Consolidated Financial Statements continued

Balance Sheet

EURO	Note	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7		
Development expenditure		50,106.95	73,668.72
Intangible rights		282,033.03	290,265.68
Total		332,139.98	363,934.40
Tangible assets	8		
Machinery and equipment		514,717.81	859,387.75
Total		514,717.81	859,387.75
Investments			
Other shares and similar rights of ownership	9	0.00	0.00
Total		0.00	0.00
NON-CURRENT ASSETS TOTAL		846,857.79	1,223,322.15
CURRENT ASSETS			
Inventories			
Raw materials and consumables		446,424.16	485,082.03
Total		446,424.16	485,082.03
Receivables			
Trade receivables		962,966.23	1,179,613.49
Prepayments and accrued income	10	249,997.09	257,505.27
Other receivables		269,262.61	243,023.21
Total		1,482,225.93	1,680,141.97
Cash in hand and at banks		3,455,832.41	4,266,175.61
CURRENT ASSETS TOTAL		5,384,482.50	6,431,399.61
ASSETS TOTAL		6,231,340.29	7,654,721.76

EURO	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
EQUITY			
	11		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		48,310,731.49	46,086,645.05
Retained earnings/(loss)		(45,738,251.56)	40,124,070.88
Profit/(loss) for the financial year		(4,121,615.53)	(6,782,638.33)
TOTAL EQUITY		(1,469,135.60)	(740,064.16)
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans	12	0.00	0.00
Other interest-bearing loans	13	3,891,858.86	5,288,419.88
Deferred income	13	0.00	0.00
Total		3,891,858.86	5,288,419.88
CURRENT LIABILITIES			
Bank loans		1,152,460.44	988,571.20
Trade payables		198,083.52	739,710.92
Other liabilities		1,592,392.28	517,419.19
Accrued expenses	14	865,680.79	860,664.73
Total		3,808,617.03	3,106,366.04
TOTAL LIABILITIES		7,700,475.89	8,394,785.92
EQUITY AND LIABILITIES TOTAL		6,231,340.29	7,654,721.76

Consolidated Financial Statements continued

Consolidated Cash Flow Statement

EUR in thousands	1 January – 31 December 2020	1 January – 31 December 2019
Cash flows from operating activities		
Profit/(Loss) for the financial period	(4,121.6)	(6,782.6)
Adjustments:		
Depreciation and amortisation according to plan	366.9	524.6
Other adjustments (income -/ expense +)	255.0	(269.2)
Financial income and expenses	783.9	259.5
Cash flows before change in working capital	(2,715.7)	(6,267.7)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(300.9)	65.5
Increase (-) or decrease (+) in inventories	38.7	(226.3)
Increase (-) or decrease (+) in long-term receivables	(147.2)	0.0
Increase (+) or decrease (-) in current interest-free payables	538.4	428.7
Cash flows from operations before financial items and taxes	(2,586.8)	(5,999.9)
Interest and other financial expenses paid	(137.9)	(681.6)
Cash flows from operating activities (A)	(2,724.7)	(6,681.5)
Cash flows from investing activities		
Investments in intangible and tangible assets	9.5	(843.3)
Cash flows from investments (B)	9.5	(843.3)
Cash flows from financing activities		
Share issue	2,224.1	6,606.0
Drawing (+) or repayment of short-term loans (-)	163.9	0.0
Drawing (+) or repayment of long-term loans (-)	(483.1)	(1,990.2)
Cash flows from financing activities (c)	1,904.9	4,615.8
Change in cash in hand and at banks	(810.3)	(2,909.0)
Cash in hand and at banks in the beginning of the period	4,266.2	7,175.2
Cash in hand and at banks at end of the period	3,455.8	4,266.2

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 percent 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

	2020 €	2019 €
NBS Systems	1,467,127.33	1,036,234.62
NBT® Systems	280,192.68	522,660.00
NBS Other sales	695,053.46	788,981.05
NBT® Other sales	1,671,585.76	1,000,210.35
Total	4,113,959.23	3,348,086.02

Net sales by geographical area

	2020 €	2019 €
Finland	619,300.42	692,586.24
Rest of Europe*	1,591,727.24	1,652,015.35
North America	1,874,131.57	1,003,484.43
Other	28,800.00	0.00
Total	4,113,959.23	3,348,086.02

* including Russia

3. Other Operating Income

	2020 €	2019 €
Other income	15,463.89	24,104.01
Government grants	35,000.00	0.00
Total	50,463.89	24,104.01

4. Personnel Expenses

	2020 €	2019 €
Wages and salaries	(3,121,963.72)	(3,997,682.04)
Pension expenses	(302,587.06)	(330,120.15)
Other social security expenses	(306,978.7)	(385,234.42)
Total	(3,731,529.48)	(4,713,036.61)

	2020	2019
Average number of personnel	33	36

	2020 €	2019 €
Salaries and bonuses of Directors		
CEO	411,447.10*	448,596.00
Board of Directors	121,050.00	98,500.00
Total	532,947.10	547,096.00

* Mikko Karvinen (since 11 February 2020) and Martin Jamieson (until 11 February 2020) acted as CEO of Nexstim Plc and Group during 2020. Includes severance payment received by Martin Jamieson during the period between February 2020 and August 2020.

5. Other Operating Expenses

	2020 €	2019 €
Travel expenses	(249,409.70)	(774,778.69)
Administration expenses	(379,381.96)	(570,615.83)
R&D	(368,273.97)	(559,652.85)
Legal and consultant fees	(164,926.19)	(386,256.21)
Marketing expenses	(144,596.85)	(321,865.73)
ICT-expenses	(203,617.92)	(176,899.45)
Facility expenses	(145,533.79)	(137,004.64)
Voluntary social costs	(107,668.75)	(107,758.22)
Multi-centre trial direct costs	0.00	(41,641.19)
Other	(665,940.28)	(570,981.70)
Total	(2,429,349.41)	(3,647,456.51)

Auditor's fees	2020 €	2019 €
Audit	35,000.00	35,000.00
Non-audit services	7,315.96	4,270.00
Total	42,315.96	39,270.00

6. Financial Income and Expenses

	2020 €	2019 €
Other interest income and other financial income	1,936,824.11	1,286,078.63
Interest and other financial expenses	(2,755,582.81)	(1,545,545.31)
Total	(783,920.03)	(259,466.68)

Notes for Balance Sheet

7. Intangible Assets

Development costs

	2020 €	2019 €
1 January	73,668.72	71,638.99
Increases	5,558.00	38,904.00
Planned depreciation	(29,119.77)	(36,874.27)
31 December	50,106.95	73,668.72

Intangible rights (Patents)

	2020 €	2019 €
1 January	290,265.68	358,229.20
Increases	158,025.09	133,331.91
Planned depreciation	(166,257.74)	(201,295.43)
31 December	282,033.03	290,265.68

8. Tangible Assets

Machinery and equipment

	2020 €	2019 €
1 January	859,387.75	464,740.49
Increase	0.00	681,109.84
Decrease	(173,097.34)	0.00
Planned depreciation	(171,572.60)	(286,462.58)
31 December	514,717.81	859,387.75

9. Other Shares and Similar Rights of Ownership

Holdings in Group undertakings

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

During the financial year, a fully owned subsidiary Nexstim Ltd. based in England was stricken off the companies register and written-off of the Parent Company books. The subsidiary had not had active operations in several years.

10. Prepayments and Accrued Income

	2020 €	2019 €
Wage and salary receivables	0.00	0.00
Other prepayments and accrued income	249,997.09	257,505.27
Total	249,997.09	257,505.27

11. Equity

	2020 €	2019 €
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	46,086,645.05	39,480,595.19
Increases	2,224,086.44	6,606,050.86
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	48,310,731.49	46,086,645.05
Retained earnings/(loss) 1 January	(46,906,709.21)	(39,854,868.07)
Reduction of share capital	0.00	0.00
Reduction of share premium account	0.00	0.00
Adjustments for previous years	0.00	0.00
Translation difference	1,168,457.65	(269,202.81)
Profit/loss for the period	(4,121,615.53)	(6,782,638.33)
Retained earnings/(loss) 31 December	(49,859,867.09)	(46,906,709.21)
Total unrestricted equity	(1,549,135.60)	(820,064.16)
Total equity	(1,469,135.60)	(740,064.16)

Going concern

The financial statements for 2020 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 2020 (EUR 3.5 million) the Company believes that an aggregate amount of EUR 3 million is sufficient to cover its working capital deficiency for at least the aforementioned 12-month period.

The Company continues to carry out evaluation of different funding options and strategic alternatives for its businesses. On 8 February 2021 the Company published an invitation to an Extraordinary General Meeting (EGM) to be held on 3 March 2021 related to raising additional funding. The shareholders are invited to the EGM to decide on authorisations for the Board of Directors to decide on share issues and issuances of option rights and special rights to shares. 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 of 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. As no binding decisions on additional financing have been made by the date of approval of the financial statements, the adequacy of financing represents a material uncertainty factor, which can compromise the Company's ability to continue operations. If additional financing is not obtained, the Company may meet serious financial difficulties.

Notes for Balance Sheet continued

11. Equity continued

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 2019	80.0	0.0	0.0	46,086.6	(46,906.7)	(740.1)
Issue of shares				2,224.1		2,224.1
Profit/(loss) for the period					(4,121.6)	(4,121.6)
Translation difference					1,168.5	1,168.5
Equity on 31 December 2020	80.0	0.0	0.0	48,310.7	(49,859.9)	(1,469.1)

	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)

12. Capital Loans

	2020 €	2019 €
1 January	100,000.00	200,000.00
Increases	0.00	0.00
Reductions	(100,000.00)	(100,000.00)
31 December	0.00	100,000.00

Capital loan from Business Finland

Main terms of the capital loan granted by Business Finland 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 8 (eight) years, of which first 5 (five) years are free of repayment.
- There is no collateral for the loan.

The Company has on 2 June 2015 agreed on a new payment plan with Valtiokonttori related to February 2001 signed capital loan agreement of EUR 500.0 thousand. According to the new payment plan the capital will be repaid in full during the years 2016–2020 in fixed amortisation schedule. The accumulated accrued unpaid interest on the capital loans of the Company amounted to EUR 122,2 thousand at 31 December 2020 and it has been recognised as an expense in income statement and as a liability on the balance sheet.

	€
Business Finland capital loan balance 31 December 2020	0.00

13. Non-current Liabilities

Non-current liabilities

	2020 €	2019 €
Loan, Kreos Capital	0.00	988,942.44
Product development loans from TEKES	3,689,268.44	4,299,477.44
Other long-term liabilities	202,590.42	0.00
Total	3,891,858.86	5,288,419.88

Maturity of interest-bearing liabilities

	2020 €	2019 €
Interest-bearing liabilities total	3,689,268.44	5,288,419.88
Due later than 5 years	390,290.19	1,341,308.44

14. Accrued Expenses

	2020 €	2019 €
Holiday accrual	300,537.90	265,248.81
Accrued interest	138,045.40	134,143.52
Accrued pension expenses	34,837.08	0.00
Other accrued expenses	392,260.41	461,272.40
Total	865,680.79	860,664.73

15. Commitments

Leasing liabilities

	2020 €	2019 €
Due within next financial year	63,701.03	52,280.79
Due later	0.00	0.00
Total	63,701.03	52,280.79

16. Guarantees

	2020 €	2019 €
Rent deposits	41,610.82	41,249.35
Total	41,610.82	41,249.35

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 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 consists of following share classes	2020 (pcs)	2019 (pcs)
A (1 vote/share)	439,622,756	62,786,630
	439,622,756	62,786,630

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

Notes for Balance Sheet continued

18. Stock Options and Warrants

At the date of this report the Company had four stock option incentive schemes; 2013A, 2016, 2018, and 2020. At the date of this report the Company held a total of 2,500,000 stock options 2020A, 1,500,000 stock options 2020B and 1,000,000 stock options under the stock option plan 2020C. 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 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 programmes 2016B-C and 2017 so that the share subscription price of such stock option programmes is comparable to the price prior to the subscription rights issue. With respect to the stock option programme 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). Pursuant to the subscription such rights issue which ended on 25 May 2020 in Sweden and on 27 May 2020 in Finland, the Board of Directors on 10 June 2020 resolved to amend the share subscription prices of the Company's stock option programmes 2016B-C and 2020A-B so that the share subscription price of such stock option programmes is comparable to the price prior to the subscription rights issue.

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 0.23	91,083 shares	1.7.2019–15.12.2024
2016C	EUR 0.30	55,686 shares	1.7.2020–15.12.2025*
2018A	EUR 0.07	2,777 shares	1.7.2022–15.12.2027
2018B	EUR 0.01	2,777 shares	1.7.2023–15.12.2028
2020A	EUR 0.03	13,000,000 shares	1.7.2022–15.12.2027
2020B	**	13,000,000 shares	1.7.2023–15.12.2028
2020C	***	13,000,000 shares	1.7.2024–15.12.2029

* 2,777 stock options of the stock options 2016C have been amended in such a way that the first possible share subscription date is 1 July 2021.

** The share subscription price for stock options 2020B is the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during twenty (20) trading days following the release date of the Company's Financial Statements of the year 2020.

***The share subscription price for stock options 2020C is the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during twenty (20) trading days following the release date of the Company's Financial Statements of the year 2022.

Holdings of the Board of Directors and management team	(%)
Ownership based on proportion of total number of issued shares	15.38
Ownership based on proportion of total number of issued shares and option rights*	19.08
Proportion of votes based on ownership of shares	15.38
Proportion of votes based on ownership of shares and option rights*	19.08

* Assuming that all stock options are exercised

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 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 a way that the subscription price for one share (the exercise price) has been lowered. Pursuant to subscription in the rights issue which ended on 25 May 2020 in Sweden and on 27 May 2020 in Finland, terms of the existing warrant agreements of the Company, the Board of Directors resolved on 10 June 2020 to amend the terms of such outstanding warrants (i.e. special rights to shares) in such a way that the subscription price for one share (the exercise price) has been lowered.

Warrant	Exercise price/share	Maximum amount of warrants	Expiry date
KREOS	EUR 0.41	57,992 shares	13 July 2022

The total number of outstanding warrants at year end 2020 was 57,992. 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 from 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 target group of the plan will be those members of the Board of Directors who are independent of the Company. Such members are, however, not required to be independent from the shareholders of the Company. The reward allocations in 2020 will be determined as a Euro value.

Allocation for Board members for the vesting period 2020–2021

In accordance with the proposal of the Nomination Board, the Annual General Meeting decided that for a Board member, the gross value of the reward for the vesting period 2020–2021 will be as follows:

For Chairman of the Board of Directors: 24 000 €
For a US member: 20 400 €
For a non-US member: 16 800 €

The granted reward will be converted into restricted share units at the beginning of the vesting period in 2020. 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 the 20 trading days following the release date of the Company's Annual Accounts of the year 2019. 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 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 2021. The Company will withhold taxes and employment-related expenses from the cash proportion of the reward as per the 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 on that basis.

Reward payment for Board members for the vesting period 2019–2020

Pursuant to the authorisation received from the Company's Extraordinary General Meeting on 11 November 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 today resolved on issuing altogether 78,606 new shares without payment to two members of the Board of Directors. The members of the Board of Directors participating in the plan are Tomas Holmberg and Rohan Hoare. Rohan Hoare will receive 31,250 shares and Tomas Holmberg will receive 47,356 shares based on the amount of the gross reward for the vesting period 2019–2020 determined by the Annual General Meeting on 25 March 2019.

Pursuant to the authorisation received from the Company's Extraordinary General Meeting on 11 November 2019 and based on the decision made by the Annual General Meeting today, the Board of Directors of the Company has also today decided, that the new members of the Board of Directors elected by the Extraordinary General Meeting of the Company on 11 November 2019 shall be paid half of the amount stipulated in the restricted share unit plan in Company's shares for their contribution during 2019–2020. Therefore, Leena Niemistö and Martin Forss will each be issued, without payment, shares of the Company at a value of €6,250, calculated using the formula stated in the restricted share unit plan. Leena Niemistö will receive 20,673 shares and Martin Forss will receive 17,067 shares.

Parent Company Financial Statement

Profit and Loss Statement

For the financial year ended 31 December 2020

EURO	Note	1 January – 31 December 2020	1 January – 31 December 2019
NET SALES		3,042,798.39	3,703,603.14
Work performed for own purpose and capitalised		5,558.00	38,904.00
Other operating income	2	453,116.38	901,555.73
Materials and services			
Materials			
Purchases during the financial year		(890,461.98)	(1,522,999.69)
Increase (+) decrease (-) in inventories		691.94	212,289.32
Total		(889,770.04)	(1,310,710.37)
Personnel expenses			
Wages and salaries		(2,100,691.27)	(2,464,463.49)
Social security expenses			
Pension expenses		(302,587.06)	(330,120.15)
Other social security expenses		(62,917.95)	(25,786.04)
Total		(2,466,196.28)	(2,820,369.68)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(252,176.91)	(299,426.89)
Total		(252,176.91)	(299,426.89)
Other operating expenses		(1,826,365.67)	(2,529,809.15)
OPERATING PROFIT/(LOSS)		(1,933,036.13)	(2,316,253.22)
Financial income and expenses	3		
Other interest income and other financial income		3,457,892.36	1,074,607.82
Interest and other financial expenses		(3,664,309.63)	(5,309,591.49)
Total		(206,417.27)	(4,234,982.67)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(2,139,453.40)	(6,551,235.89)

Balance Sheet

EURO	Note	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	4	50,106.95	73,668.72
Intangible rights		282,032.03	290,264.68
Total		332,138.98	363,933.40
Tangible assets			
Machinery and equipment	5	170,398.19	183,771.54
Total		170,398.19	183,771.54
Investments			
Investments in Group companies	6	408,896.52	408,896.52
Long-term receivables from Group companies		13,169,256.38	11,938,147.12
Other shares and similar rights of ownership		0.00	0.00
Total		13,578,152.90	12,347,043.64
NON-CURRENT ASSETS TOTAL		14,080,690.07	12,894,748.58
CURRENT ASSETS			
Inventories			
Raw materials and consumables		423,086.22	422,394.28
Total		423,086.22	422,394.28
Receivables			
Trade receivables		317,138.05	583,283.49
Short-term receivables from Group companies	7	1,761,209.60	1,549,385.49
Prepayments and accrued income		211,644.69	199,384.47
Other receivables		157,851.26	239,845.25
Total		2,447,843.60	2,571,898.70
Cash in hand and at banks		2,124,413.57	4,174,347.27
CURRENT ASSETS TOTAL		4,995,343.39	7,168,640.25
ASSETS TOTAL		19,076,033.46	20,063,388.83

Parent Company Financial Statement continued

Balance Sheet continued

EURO	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
EQUITY			
	8		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		48,310,731.49	46,086,645.05
Retained earnings/(loss)		(33,817,873.06)	(27,266,637.17)
Profit/(loss) for the financial year		(2,139,453.40)	(6,551,235.89)
TOTAL EQUITY		12,433,405.03	12,348,771.99
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans		0.00	0.00
Other interest-bearing loans		3,689,268.44	5,288,419.88
Deferred income		0.00	0.00
Total		3,689,268.44	5,288,419.88
CURRENT LIABILITIES			
Bank loans		1,152,460.44	988,571.20
Received prepayments		680,454.01	117,016.44
Trade payables		252,784.46	492,056.50
Other liabilities		84,051.97	80,542.01
Accrued expenses		783,609.11	748,010.81
Total		2,953,359.99	2,426,196.96
TOTAL LIABILITIES		6,642,628.43	7,714,616.84
EQUITY AND LIABILITIES TOTAL		19,076,033.46	20,063,388.83

Parent Company Cash Flow Statement

EUR in thousands	1 January – 31 December 2020	1 January – 31 December 2019
Cash flows from operating activities		
Profit/loss for the financial period	(2,139.5)	(6,551.2)
Adjustments:		
Depreciation and amortisation according to plan	252.2	299.4
Other adjustments (income -/ expense +)	(913.5)	0.00
Financial income and expenses	(206.4)	437.9
Cash flows before change in working capital	3,007.1	(5,813.9)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(1,296.5)	(1,926.7)
Increase (-) or decrease (+) in inventories	(0.7)	(212.3)
Increase (+) or decrease (-) in current interest-free payables	363.3	142.7
Cash flows from operations before financial items and taxes	(3,941.1)	(1,996.3)
Interest and other financial expenses paid	395.9	524.2
Cash flows from operating activities (A)	(3,545.2)	(7,286.1)
Cash flows from investing activities		
Investments in intangible and tangible assets	(207.0)	(258.2)
Cash flows from investments (B)	(207.0)	(258.2)
Cash flows from financing activities		
Share issue	2,224.1	6,606.0
Drawing (+) or repayment of long-term loans (-)	(685.7)	(1,990.2)
Drawing (+) or repayment of short-term loans (-)	163.9	0.00
Cash flows from financing activities (C)	1,702.3	4,615.8
Change in cash in hand and at banks	(2,049.9)	(2,928.5)
Cash in hand and at banks in the beginning of the period	4,174.3	7,102.8
Cash in hand and at banks at end of the period	2,124.4	4,174.3

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

	2020 €	2019 €
Other income	418,116.38	901,555.73
Government grants	35,000.00	0.00
Total	453,116.38	901,555.73

3. Financial Income and Expenses

	2020 €	2019 €
Other interest income and other financial income	3,457,892.36	1,074,608.82
Interest and other financial expenses	(3,664,309.63)	(5,309,591.49)
Total	(206,417.27)	(4,234,982.67)

The interest and other financial expenses include a EUR 1,222,394.26 impairment of receivables from Group Company Nexstim, Inc. and the other interest income and other financial income is a EUR 913,452.70 partial debt forgiveness of Business Finland loans.

4. Intangible Assets

Development costs

	2020 €	2019 €
1 January	73,668.72	71,638.99
Increase	5,558.00	38,904.00
Planned depreciation	(29,119.77)	(36,874.27)
31 December	50,106.95	73,668.72

Intangible rights (Patents)

	2020 €	2019 €
1 January	290,264.68	358,228.20
Increases	158,025.09	133,331.91
Planned depreciation	(166,257.74)	(201,295.43)
31 December	282,032.03	290,264.68

5. Tangible Assets

Machinery and equipment

	2020 €	2019 €
1 January	183,771.54	149,052.46
Increase	43,426.05	95,976.27
Decrease	0.00	0.00
Planned depreciation	(56,799.40)	(61,257.19)
31 December	170,398.19	183,771.54

Notes to the Parent Company Financial Statements continued

Notes for Balance Sheet

6. Investments

Holdings in Group undertakings

Name	Domicile	%	Book value
Nexstim Inc.	United States of America	100 %	635.72
Nexstim Germany GmbH	Germany	100 %	25,000.00

During the financial year, a fully owned subsidiary Nexstim Ltd. based in England was stricken off the companies register and written-off of the Parent Company books. The subsidiary had not had active operations in several years.

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

	2020 €	2019 €
Nexstim Inc. loan receivables	12,869,256.38	11,638,147.12
Nexstim Germany GmbH loan receivables	300,000.00	300,000.00
Total	13,169,256.38	11,938,147.12

The Parent Company has outstanding long-term and short-term intercompany receivables from its subsidiaries of EUR 14.9 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

	2020 €	2019 €
Nexstim Inc. accounts receivables	0.00	0.00
Nexstim Germany GmbH accounts receivables	1,653,002.89	1,469,079.01
Nexstim Inc. interest receivables	0.00	0.00
Nexstim Germany GmbH interest receivables	108,206.71	80,306.48
Total	1,761,209.60	1,549,385.49

8. Equity

	2020 €	2019 €
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	46,086,645.05	39,480,595.19
Increases	2,224,086.44	6,606,049.86
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	48,310,731.49	46,086,645.05
Retained earnings/(loss) 1 January	(33,817,873.06)	(27,266,637.17)
Adjustments for previous years	0.00	0.00
Translation difference	0.00	0.00
Profit/(loss) for the period	(2,139,453.40)	(6,551,235.89)
Retained earnings/(loss) 31 December	(35,957,326.46)	(33,817,873.06)
Total unrestricted equity	12,353,405.03	12,268,771.99
Total equity	12,433,405.03	12,348,771.99

9. Commitments

Leasing liabilities

	2020 €	2019 €
Due within next financial year	3,193.32	3,193.32
Due later	6,386.64	6,386.64
Total	9,579.96	9,579.96

10. Guarantees

	2020 €	2019 €
Rent deposits	39,899.47	39,899.47
Total	39,899.47	39,899.47

Nexstim Plc

Signing the Annual Statement

Helsinki 25/2/2021

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

Auditor's report has been given with this date
Helsinki 25/2/2021

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 2020. 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 want to 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 Company is planning to obtain additional financing during 2021. There are no binding decisions regarding the additional financing at the date of the financial statements. Therefore the adequacy of financing is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. 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 Report (Translation of the Finnish Original) continued To the Annual General Meeting of Nexstim Plc

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 25 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant (KHT)

Nexstim Plc

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