

**Nexstim**

**Smart. Focused. Committed.**

2018

Annual report  
and accounts



Nexstim Plc is a neuromodulation company pioneering in the development of non-invasive brain stimulation technologies. The company's proprietary SmartFocus™ technology with a highly sophisticated 3D navigation, is the only truly personalised, navigated transcranial magnetic stimulation (TMS) approach used for both therapeutic and diagnostic applications.

Nexstim Plc is headquartered in Helsinki, Finland, and listed on Nasdaq First North Finland and Nasdaq First North Sweden.

# Smart. Focused. Committed.

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 transcranial magnetic stimulation (TMS) can harness the brain's own healing power.

## 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.

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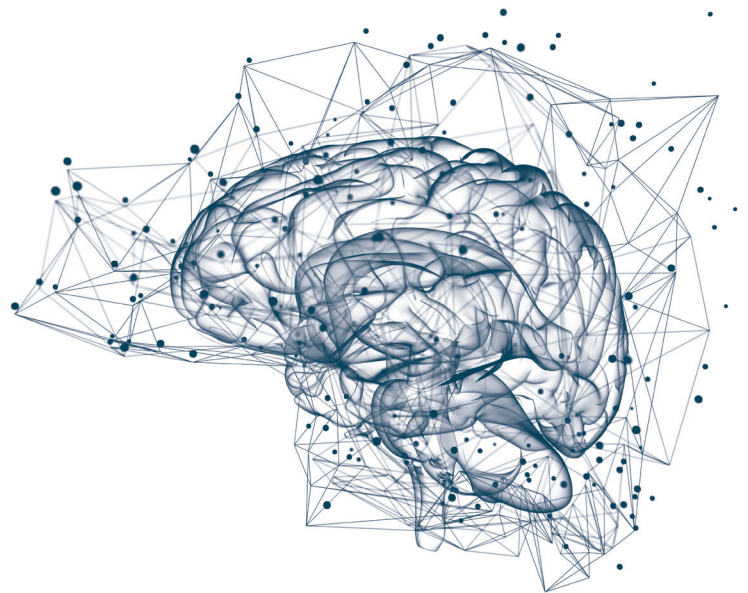
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“ We firmly believe that our differentiated technology offers the potential to generate significant value for our shareholders, through offering a unique alternative for patients in large therapy indications with unmet medical need, by helping the brain to heal itself. ”

\_Martin Jamieson, Chairman and CEO

Read more on page 06



At a glance

# Smart. Leading. Non-invasive.

At Nexstim we are using our decades of scientific research to help treat and diagnose the human brain non-invasively. By combining e-field navigated TMS with 3D brain imaging, our unsurpassed SmartFocus™ technology offers a solution for the drug-free treatment of brain diseases and disorders.



## NBT® Navigated Brain Therapy System

If pharmaceuticals are not working for the patient or a non-drug option is wanted otherwise, NBT® Navigated Brain Therapy System might be the answer for treatment of major depression or neuropathic pain, for example.

In depression therapy it is important that TMS targets consistently the right location in the patient's brain. So, 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

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

NBS mapping is used when the tumour is thought to be close to the functional areas of the brain, such as those responsible for limb movement or speech production. NBS brain maps are useful when deciding the treatment option. If neurosurgery is recommended, NBS mapping results help the care team to plan the operation.

The Nexstim 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.



# SmartFocus™ TMS therapy activates the potential of the human brain to heal itself.

Every individual's brain is different and the effects of TMS stimulation are always dependent on the state of the patient's own brain and cortex.

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

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

### View



Displays 3D view of your brain from MRI scan

### Measure



Personalises the therapy to your brain state

### Target



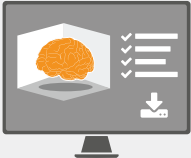
Pinpoints the therapy target in your brain

### Treat



See the therapy on target – feel confident

### Repeat



Your vital data are saved – ready for your next session

“ Our new Nexstim machine is an incredible upgrade in precision. We have a significant amount of patient interest and several started. ”

\_Island Psychiatry, Long Island1 (Twitter account)

## Market overview

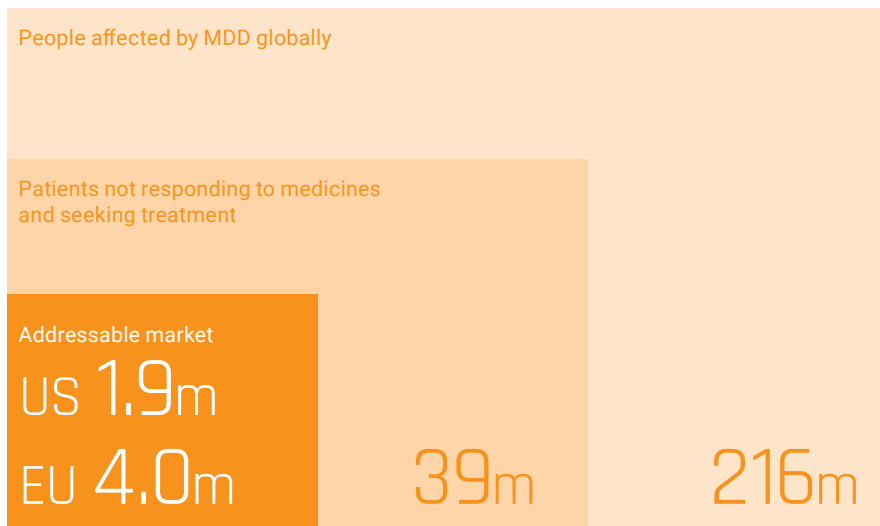
# A rapidly growing market.

The markets for NBT® therapy both in major depressive disorder as well as in neuropathic pain are rapidly growing. Major depressive disorder affects about 2-5% of the population in developed countries and there are about 10 million addressable neuropathic pain patients in the US and Europe.<sup>1</sup>

## Navigated Brain Therapy® in Depression

The US domestic market represent the greatest commercial opportunity for Nexstim NBT® treatment in short term: After a successful launch of NBT® in depression in the United States in May 2018, already multiple systems have been delivered to customers. The actions in the US are not excluding commercial efforts in Europe and Asia, where there are number of actions taken both to reinforce existing and develop new markets.

### Estimated market size



### Opportunities

- The addressable market for NBT treatment of depression is about 6 million patients which represents a total treatment value of over EUR 40 billion<sup>2</sup>
- Highly differentiated product and disruptive pricing options
- Reimbursement for TMS is already available in US and EU markets


### Commercialization and go-to market approach - Europe & Asia

#### Actions on established markets

- Cross-selling NBS with NBT
- Patient registry established
- Strong KOL network

#### Markets to be developed

- Hong Kong distributor appointed and delivery of the first depression therapy system
- Chinese partner candidates currently being evaluated
- France, Netherlands, Italy and Spain targeted with distributors

Read about the US market potential on pages 8-9 

- 1) Global Industry Analysis
- 2) PMSI Consulting analysis and estimates

€40b  
Treatment value of estimated addressable market

“ We see patients with facial pain as well. Facial pain is probably the best target for TMS in terms of effectiveness.”

\_Professor Nurmikko, Walton Centre

## Navigated Brain Therapy® in Neuropathic Pain

NBT® treatment for Chronic Neuropathic pain is at evaluation state but it does represent an interesting prospect for the future. NBT® System is CE-marked also for the treatment of chronic neuropathic pain and it is of use in several European hospitals.

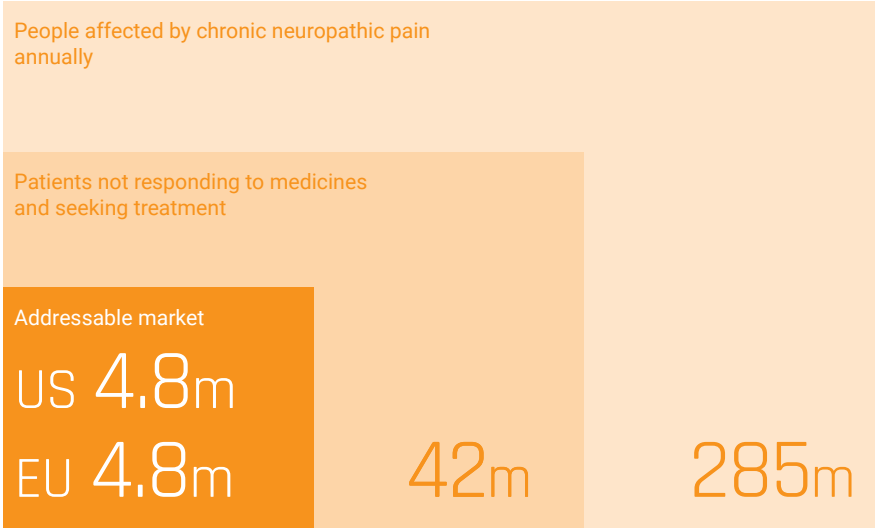
### Market trends

- 40-50% of neuropathic pain patients are without effective pain relief
- The addressable market size in US is about 4.8 million patients and 4.8 million in Europe

### Opportunities

- Study conducted by The Walton Centre (UK) stated that 44% of patients undergoing NBT therapy reported clinically meaningful pain relief of at least 3 weeks’ duration
- Nexstim is evaluating possible clinical trials for chronic neuropathic pain

### Estimated market size



## Q&A with Martin Jamieson

# A year of opportunities and challenges.

Nexstim's CEO and Chairman of the Board Martin Jamieson tells us about the highlights and challenges of the past year and about the business opportunities for 2019.



**Q** What were the highlights of Nexstim's performance in 2018?

**A** 2018 was challenging with the disappointing results of the supplementary Phase III E-FIT trial, however this provided us with the opportunity to shift our resources and focus on our Navigated Brain Therapy (NBT®) system for the treatment of Major Depression Disorder (MDD). We believe this change of strategy provides us with an opportunity to generate significant shareholder value.

Our NBT® System for the treatment of MDD was successfully launched in the US at the Clinical TMS Society Annual Meeting in May 2018. We are currently strengthening our own commercial team in the US to maximise the potential of our highly differentiated, personalised, reimbursed NBT® system. Installations across Europe are also progressing well, and we launched our presence in Asia through a partnership agreement with Ampere Medical which provides access to the Hong Kong market with a view to accessing Mainland China in the future.

**Q** Can you tell us more about the results of the supplementary Phase III E-FIT trial?

**A** The Phase III E-FIT stroke trial did not show a clinically significant difference between active and sham treatment groups. Combining the results of this 60-patient trial with the existing results from the NICHE study also resulted in no statistical difference.

As a result, we have decided to focus therapeutic applications on MDD where stimulation of specific areas of the brain have proved effective. Our SmartFocus™ TMS system is particularly appropriate for targeted stimulation due to its highly accurate, repeatable dosing.

MDD represents a significant commercial opportunity with an estimated addressable market of about 6 million patients in the US and Europe in total, representing a treatment value of over EUR 40 billion.

“ Our priority is to raise market awareness of our NBT system. ”



**Q Can you tell us more about the Company's progress in implementing the new strategy and medium-term business plan which is focused on MDD?**

**A** To date our NBT® System has been installed at prominent psychiatric and neuroscience centres across multiple sites on three continents where MDD is treated. In the US, the commercial strategy is direct sales, while in Europe and Asia, a mix of direct sales and using distributors is being deployed.

Our priority is to raise market awareness of our NBT® system: with more patients using our NBT® system for the treatment of MDD, we will be able to collect more clinical evidence which should further support a shift from existing treatment practices and increase adoption of our NBT® system. We also plan to leverage our strong KOL network especially in the US and to publish the patient registry data in a series of White Papers.

**Q What differentiates NBT® from its competitors when used to treat MDD?**

**A** Nexstim's Navigated Brain Therapy (NBT®) system is the only FDA (US Food and Drug Administration) cleared device with integrated navigation, ensuring personalised accurate and reproducible treatment.

The SmartFocus™ technology in Nexstim's systems is unique and due to its 3D navigation it allows highly accurate targeting of stimulation which is personalised based on a patient's MRI scan. When used in therapy, the TMS dose using NBT® is personalised and all information on dose and navigation is stored, allowing for treatments to be repeated with guaranteed precision and consistency at the correct location.

Our NBT® TMS system was FDA cleared for MDD in November 2017 and was launched in the US in May 2018.

**Q How big is your US commercial platform and do you intend to grow it further?**

**A** We currently have a commercial organization of ten persons in the US, with plans to increase this figure in 2019. Our expanding commercial platform is focused on TMS centres and high-volume psychiatric practices in four key regions of the country (Southeast and Northeast States, California and Texas). The depression-led strategy will include specialist new hires to initially build a team of individuals, across various disciplines, including account management, clinical applications, customer service, reimbursement and product management.

**Q What are your plans to drive NBT® sales in Europe and Asia?**

**A** Nexstim plans to strengthen activity in established markets in the EU where it has a strong distributor organisation and KOL network. The Company will continue to cross-sell NBS with NBT® and will continue its mixed direct and distributor model. The Company is targeting undeveloped markets such as France, Netherlands, Italy and Spain with distributors.

This mirrors our strategy for Asia where we recently secured a distribution deal for Hong Kong partnering with Ampere Medical to deliver the first depression therapy system. In China, partner candidates are being evaluated.

**Q Is there still a growth opportunity with NBS and is it still an important element of Nexstim's strategy?**

**A** Our NBS system, the only available navigated presurgical mapping technology, continues to grow sales and it is now used in approximately 160 research universities and leading hospitals around the world, including numerous world-renowned cancer centres (e.g. Mayo Clinic, MD Anderson Cancer Center, Great Ormond Street Hospital, UCSF, Karolinska University Hospital and Charité – Universitätsmedizin Berlin).

We are leveraging on the installed NBS systems and our strong network of Key Opinion leaders to raise market awareness and reinforce our commercial plans of our SmartFocus™ TMS system for the treatment of MDD in the three continents (US, EU and Asia). Presurgical mapping will be supported and developed through partnerships.

## Commercialisation strategy

# Focused on US potential.



## Depression currently ranks as a leading cause of disability

MDD is the most common mental disorder in the US: Approximately 16 million American adults suffer from MDD and about one-third of MDD patients remain untreated.

There is a huge need for treatments that are proven to make a difference in the battle against this debilitating disease.

Our current NBS pre-surgical mapping customers including Mayo Clinic Hospital, University of California, San Francisco and Miami Children's Hospital recognise the unique navigational capacity of our SmartFocus™ technology. This same technology is used in our NBT® system which personalises the TMS stimulation to each patient for targeted brain area – this clearly differentiates us from other TMS devices currently on the market in the US for MDD.

Furthermore, the more patients use our NBT® system for the treatment of Major Depressive Order (MDD), the more we will be able to collect clinical evidence which should further support a shift from existing treatment practices and increase adoption of our NBT® system. With a commercial team of ten industry experts and a focus on growing the team in 2019, our plan is to reach out and maximise the potential of our unique system in the growing MDD market in the US.

\_Steve Beller, VP and General Manager, North America

### Major Depressive Disorder – Outlook and Market

Major Depressive Disorder (MDD) is a common mental illness characterized by persistent low mood that interferes with the person's ability to eat, work, sleep and other activities. The rising prevalence of major depression has led to a sharp increase in the patient volume suffering from depression.

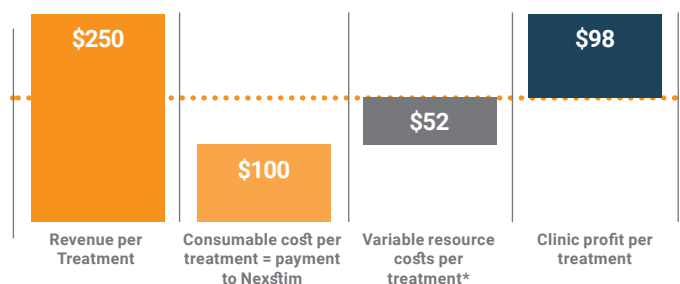
The US MDD market is expected to grow in the future due to rising aging population, growing MDD prevalence, growing female prevalence, high unmet needs, and escalating mental health expenditure. Key trends of this market include rising number of mental health programs, increasing awareness, rapid drugs in development and direct to consumer advertising.

Nexstim's technology is part of a growing trend in brain disorder treatment based on minimally or non-invasive therapeutics that result in less systemic side effects and require no hospitalisation or anaesthesia.

### Navigated Brain Therapy® (NBT) in MDD

NBT® for the treatment of MDD was successfully launched in the US at the Clinical TMS (Transcranial Magnetic Stimulation) Society's Annual Meeting in May 2018. Nexstim's new strategy has delivered good results with the company installing five NBT® depression therapy systems in the US since its launch in May 2018.

### Economic Benefit to US TMS Centre or Psychiatric Clinic (Pay-per-use lease)

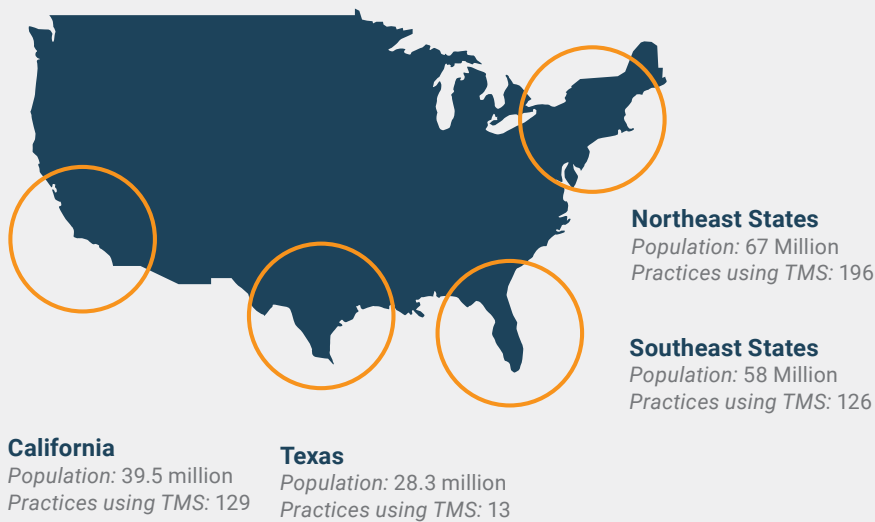


- In a pay-per-use lease, no initial investment is required for clinics so clinics make profit from first patient
- A clinic could achieve annual profit of \$147,500, assuming 30 treatments per patient and 50 patients per year
- Nexstim can make a revenue of \$150,000 for contracted clinic in pay-per-use lease

\* Includes estimated cost of facilities and technician for 45 minutes per treatment, MD cost (NOTE: 3 times per patient, 45 minutes biweekly) and MRI cost of \$500 per patient divided by amount of treatments. 40% overhead applied

### Geographic focus for depression in the US

Build a direct sales field organisation comprised of sales, clinical support and operations distributed across existing US NBS geography and recruit sophisticated and well connected distributor for Canadian channel



### The current US commercial organization of ten is growing within a year

Nexstim currently have a commercial organisation of ten people in the US, with plans to increase this figure in 2019. The current commercial platform comprises of the existing US infrastructure for the NBT® systems which focuses on TMS centres and high-volume psychiatric practices in four key regions of the country. The depression-led strategy will include specialist new hires to initially build a team of individuals, across various disciplines, including:

- Account Managers – focused on new potential accounts and closing capital placements
- Clinical Applications Specialists – responsible for training and driving utilisation at clinics
- Customer Service Specialists – responsible for installations and continuous support
- Reimbursement team – assisting customers in conducting benefit investigations for patients
- Product management – managing marketing campaigns and events

#### Business opportunity:

- MDD affects about 6.7% of the US population aged 18 and older
- In the US the addressable market for NBT® in MDD is of 2 million patients and represents a total treatment value of over USD 17 billion
- Most major commercial payers reimburse TMS treatment for depression and Medicare covers 100% TMS therapy treatment in patients suffering from depression
- Prospect of rapid treatment time - post-approval for the recently filed 510(k) for 3-minute therapy

#### Robust commercialisation strategy:

Nexstim has a clear strategy for NBT® commercial roll out in the US, with a focus on TMS centres and high-volume psychiatric practices in four key regions of the country (California, Texas, Southeast and Northeast States).

The business model targets a high annual revenue stream per system with high utilisation rates. We offer various pricing options and programs for customers, such as:

- Pay-per-use Lease
- Monthly Unlimited Use Lease
- Capital Sale + Headtracker Sales + Service Contract

#### Economic Benefit to customers

In a pay-per-use lease, no initial investment is required for clinics, so clinics make a profit from the first patient. A clinic could achieve an annual profit of close to USD 150 thousand, assuming 30 treatments per patient and 50 patients per year. Currently, all of the NBT® systems in the US have been installed on a pay-per-use leasing model. In the US, Nexstim is targeting an annual revenue level of about USD 100 thousand per NBT® system.

#### Strong marketing campaign

Nexstim is leveraging its strong neurosurgical KOL network and have established depression advisory panels to raise market awareness. The Company also have a robust marketing campaign in place with presence at major conferences, symposia, and exhibitions in North America. The Company also plan to publish the registry data in a series of White Papers and are in the process of planning direct marketing campaigns to potential US patients.

## Nexstim plc Report of the Board of Directors 2018

### Nexstim Group

Nexstim is a medical technology company focused on the development and commercialization of its world-leading SmartFocus™ TMS technology, a non-invasive brain stimulation system for the treatment of Major Depressive Disorder (MDD). The Company's proprietary Navigated Brain Therapy (NBT®) system, a highly sophisticated 3D navigation, is the only personalised, navigated transcranial magnetic stimulation (TMS) approach providing accurate targeting of the TMS to the specific area of the brain associated with MDD.

Nexstim's NBT® system launched in the US in May 2018 for the treatment of MDD following clearance received in November 2017 from the FDA for marketing and commercial distribution for this indication. The NBT® system is CE marked in Europe for the treatment of major depression and chronic neuropathic pain. During the year 2018 the company installed five NBT® depression therapy systems in the US since the launch of the depression indication. In Europe and rest of the world there are now a total of five NBT® systems installed for the treatment of depression.

In addition, Nexstim is commercialising its Navigated Brain Stimulation (NBS) system for diagnostic applications, based on the same technology. 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 key opinion leader (KOL) presence in the fields of neurosurgery and radiology. At the date of this report Nexstim has sold a total of approximately 160 NBS systems.

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

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

Nexstim Plc has two fully owned and operative subsidiaries. Nexstim Inc. 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. In addition, Nexstim has a fully owned but currently inactive subsidiary, Nexstim Ltd, established under UK law in 2008.

### Key Figures of the Group

	01/12/2018 12 months €000s	01/12/2017 12 months €000s
Net sales	<b>2,672.1</b>	2,645.3
Personnel expenses	<b>(3,937.5)</b>	(3,334.7)
Depreciation and amortisation	<b>(424.0)</b>	(341.3)
Other operating expenses	<b>(3,985.9)</b>	(4,118.1)
Profit/(Loss) for the period	<b>(6,154.3)</b>	(7,327.9)
Earnings per share (EUR)*	<b>(1.93)</b>	(2.77)
Cash flows from operating activities	<b>(6,192.5)</b>	(5,402.9)
Cash in hand and at banks	<b>7,175.2</b>	8,473.6
Total equity	<b>(294.3)</b>	5,520.8
Equity ratio (%)	<b>(0.98)</b>	52.77
Number of shares in the end of the period (pcs)*	<b>3,253,751</b>	3,105,786
Average number of shares during the period (pcs)*	<b>3,187,487</b>	2,649,232
Diluted number of shares in the end of the period (pcs)*	<b>4,431,575</b>	4,431,575
Diluted average number of shares during the period (pcs)*	<b>4,577,627</b>	3,822,547

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

## Financial review

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

### Operating results

#### *Net sales*

Net sales between January 1 – December 31, 2018 were EUR 2,672.1 thousand (2,645.3), an increase of 1.0 percent year-on-year.

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

Work performed for Nexstim's own purposes and capitalised between January 1 – December 31, 2018 was EUR 36.3 thousand (38.8). These amounts mainly consist of capitalised development costs.

#### *Other operating income*

Other operating income from January 1 – December 31, 2018 was EUR 33.7 thousand (70.2).

#### *Materials and services*

Materials and services expenses between January 1 – December 31, 2018 totalled EUR -710.3 thousand (-552.1).

#### *Personnel expenses*

Personnel expenses between January 1 – December 31, 2018 totalled EUR -3,937.5 thousand (-3,334.7). The increase in expenses was mainly due to the growth in number of personnel.

#### *Depreciation and amortisation*

Depreciation and amortisation between January 1 – December 31, 2018 amounted to EUR -424.0 thousand (-341.3).

#### *Other operating expenses*

Other operating expenses from January 1 – December 31, 2018 totalled EUR -3,985.9 thousand (-4,118.1). The costs related to the E-FIT trial were EUR -360.6 thousand (1,517.8) in the expenses.

#### *Operating profit (loss)*

The operating loss between January 1 – December 31, 2018 was EUR -6,315.6 thousand (-5,591.9).

#### *Financial income and expenses*

Net financial income and expenses during January 1 – December 31, 2018 was an income of EUR 163.0 thousand (-1,733.2). This was mainly due to exchange rate gains from intercompany loans.

#### *Profit (loss) before taxes*

Loss before taxes between January 1 – December 31, 2018 was EUR -6,152.6 thousand (-7,325.1).

#### *Income taxes*

Income taxes from January 1 – December 31, 2018 was EUR -1.7 thousand (-2.8).

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

The loss for the period January 1 – December 31, 2018 was EUR -6,154.3 thousand (-7,327.9).

## Financial Position

### Non-current assets

The Company's non-current assets were EUR 904.6 thousand (717.8) as of 31 December 2018. Intangible assets amounted to EUR 429.9 thousand at 31 December 2018 and consisted mainly of intangible assets related to capitalised development expenses and intellectual property rights. Tangible assets amounted to EUR 464.7 thousand on 31 December 2018 and consisted mainly of capitalized NBT® systems at customer sites.

### Current assets

The Company's current assets amounted to EUR 8,757.4 thousand (10,325.8) as at 31 December 2018.

### Equity

Consolidated shareholders' equity totalled EUR -294.3 thousand (5,520.8) as at 31 December 2018.

## Nexstim plc Report of the Board of Directors 2018

continued

### Financial Position continued

#### Liabilities

##### *Non-Current Liabilities*

The Company's non-current liabilities totalled EUR 7,063.4 thousand (3,737.2) as at 31 December 2018. The non-current liabilities of the Company consist of capital loans, other interest-bearing loans and deferred income. The increase was mainly due to drawing of the Kreos Capital loan and new R&D loans from Business Finland (Tekes).

##### *Current Liabilities*

The Company's current liabilities totalled EUR 2,792.9 thousand (1,785.6) as at 31 December 2018. 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 7,175.2 thousand (8,473.6) at 31 December 2018.

The Company's net cash outflow from operating activities during 2018 was EUR -6,192.5 thousand (-5,402.9).

Net cash flow from investments was EUR -610.8 thousand during the reporting period (-147.8).

Net cash flow from financing activities was EUR 5,504.8 thousand during 2018 (5,868.0). Financing through share issues amounted to EUR 961.5 thousand in the twelve-month period ended 31 December 2018.

The Parent Company has outstanding long-term and short-term intercompany receivables from its subsidiaries of EUR 12.9 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.

#### Going Concern

The financial statements for the 2018 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 2018 (EUR 7 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, assuming that the Company will be able to comply with the agreed terms of its EUR 4 million loan agreement entered into with Kreos Capital V (UK) Limited ("Kreos") and no event of default or material adverse change does not occur which would entitle Kreos to prematurely call back its loan. Based on such preconditions, the Company estimates that the current working capital suffices then until end of Q3 2019.

In the event the preconditions regarding Kreos are not fulfilled, and Kreos calls back its loan, with outstanding interests and fees, an aggregate amount of EUR 6 million would then be estimated to be needed to cover the Company's working capital deficiency for at least the mentioned 12-month period, and the Company estimates that the current working capital suffices then until the end of April 2019.

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

## Organisation and Personnel

Nexstim's strategy is to recruit only employees that the Company believes have core competence and know-how in order to support the Company operating efficiently. In compliance with this strategy, Nexstim has outsourced most of its operations such as 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 2018 Nexstim group employed 34 full-time employees (FTEs) (2017: 24). Nexstim Plc employed 23 FTEs at the end of year 2018 (2017: 20). During the financial year 2018 Nexstim group employed on average 29 FTEs (2017: 24 FTEs).

## Strategy

### Our mission

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

### Our vision

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

### Our strategy

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

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

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

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

## Major Events in the Financial Period

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

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

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

On 16 March 2018, the Company announced that it had ended its on-going negotiations with a potential Chinese partner for the assembly and distribution of its products in China.

## Nexstim plc Report of the Board of Directors 2018

continued

### Major Events in the Financial Period continued

The following resolutions were adopted at its annual general meeting (AGM) of shareholders held on 28 March 2018:

- The AGM of shareholders of Nexstim Plc adopted the Company's financial statements, including the consolidated financial statements for the year 2017, and discharged the members of the board of directors and the chief executive officer from liability. The AGM resolved that no dividend would be paid for the financial year 1 January - 31 December 2017 and that the loss of the financial year be added to the loss account.
- The AGM resolved on the number of the members of the board of directors at five. Martin Jamieson, Ken Charhut, Rohan J. Hoare, Juliet Thompson and Tomas Holmberg were elected to the board. Martin Jamieson was elected as the chairman and Juliet Thompson as the deputy chairman.
- The remuneration of the members of the board of directors was resolved as follows: €36,000 for the members of the board domiciled in the USA, and €27,000 for the members domiciled in Europe. The AGM recommended that the members of the board invest half of the above-mentioned remuneration in the Company's shares.
- Further, the AGM resolved that the members of the board committees shall be paid as follows; €10,000 for the chairman of a committee per year and €5,000 for the members of the committee. It was decided that reasonable travel expenses be compensated to the board members.
- The AGM resolved that the target group of the restricted share unit (RSU) plan will be those members of the board of director's who are independent of the Company. The reward allocations in 2018 will be determined in cash. The AGM decided that for each board member who is independent from the Company the grant gross value of the reward for the vesting period 2018-2019 will be EUR 12,500. The aim is to propose equal allocations for the board members also to the annual general meeting of shareholders in 2019.
- PricewaterhouseCoopers Oy, an authorized Public Accountants was re-elected as the auditor with Martin Grandell acting as the auditor-in-charge. The auditor will be paid a reasonable fee.

The annual general meeting of shareholders also resolved to approve the Financing Arrangement and the Loan Agreement, Security Agreements and the Warrant Agreement with Kreos Capital V (UK) Limited ("Kreos").

In the Financing Arrangement, Kreos will grant the Company a senior secured term loan facility of EUR 4 million. Loans drawn down under the Loan Agreement will carry interest at the rate of 10.75% per annum. The proceeds of the Financing Arrangement would primarily be used in drive the commercialisation of Nexstim's NBT® and NBS products in Europe and in particular in the United States.

In addition to the interest, Nexstim will be liable for the following fees and expenses under the Loan Agreement: a EUR 40,000 transaction fee; a fee calculated as 1.75% of the amounts drawn down under the Loan Agreement; and if the Loan Agreement is not fully drawn, a fee calculated as 1.00% of the undrawn loan amount.

The Financing Arrangement also includes issuing warrants over new shares in Nexstim. An agreement governing the issuance of the Warrants would be entered into by and between Nexstim and Kreos Capital V (Expert Fund) LP. The maximum number of new shares to which the warrants entitle will be 1,739,761 (being 480,000 divided by the 90-day volume-weighted average price of the Nexstim share, as further specified in the Warrant Agreement).

On 28 March 2018, the Company announced the following decisions made by its Board of Directors. The Board of Directors resolved to elect the following persons to the Company's Board Committees: The chairman of the Audit Committee shall be Juliet Thompson and its members shall be Rohan Hoare and Tomas Holmberg; The chairman of the Remuneration Committee shall be Ken Charhut and its members shall be Rohan Hoare and Tomas Holmberg; and The chairman of the Nomination Committee shall be Sami Tuhkanen and its members shall be Juliet Thompson, Martin Jamieson and Risto Ilmoniemi.

Following the approval of the Financing Arrangement by the AGM, Nexstim's Board of Directors resolved to give effect to the Kreos Financing Arrangement and enter into the remaining agreements thereunder. Any loan amounts to be drawn down under the Financing Arrangement and the issuance of related warrants are subject to further resolutions by Nexstim's Board of Directors.

Pursuant to the authorisation received from the Company's AGM and the restricted share unit reward plan approved by the Annual General Meeting on 28 March 2017, the Board of Directors of the Company resolved on issuing altogether 209,765 new shares without payment to four members of the Board of Directors. The members of the Board of Directors participating in the plan are Ken Charhut, Tomas Holmberg, Rohan Hoare and Juliet Thompson. Ken Charhut, Rohan Hoare and Juliet Thompson will each receive 50,781 shares and Tomas Holmberg will receive 57,422 shares based on the amount of the gross reward for the vesting period 2017-2018 determined by the Annual General Meeting on 28 March 2017.

On 23 April 2018, the Company announced that it had appointed Sisu Partners Oy as its new Certified Adviser for Nasdaq First North Finland and Nasdaq First North Sweden.



On 22 May 2018, the Company announced that it had agreed to deliver its first Navigated Brain Therapy (NBT®) system in the US to Island Psychiatry, a private practice that provides accessible, high quality comprehensive mental healthcare on Long Island, New York. This system is being used to treat patients with MDD.

On 18 June 2018, the Company announced that it raised new equity financing of the gross amount EUR 0.96 million via a directed issue of new shares to a Belgium-based Capricorn Health-tech Fund. The Company's Board of Directors resolved to issue up to 4,000,000 new shares at a subscription price of EUR 0.24 per share, resulting in an aggregate subscription price of EUR 960,000.

On 19 June 2018, the Company announced that the board of directors of Nexstim resolved to draw the full loan facility of EUR 4 million as agreed with Kreos Capital V (UK) Limited, and to issue the related special rights entitling to shares (the "Warrants").

On 19 June 2018, Nexstim Plc resolved on a new stock option plan 2018, amendments of the stock options 2016 and cancellation of stock options 2013 held by the company. The maximum total number of stock options 2018 to be issued is 2,200,000 and they entitle their owners to subscribe for a maximum total of 2,200,000 new shares in the company or existing shares held by the company. Of the stock options, 1,100,000 are part of stock options 2018A and 1,100,000 stock options 2018B. As consequence of the change resolved, of the stock options 2016 in aggregate 2,859,086 are marked with B and those option rights are all allocated to the management and personnel whereas in total 3,662,362 stock options are marked with symbol C out of which 1,650,914 are allocated to the management and personnel and 2,011,448 remain in the possession of the company. The Board of Directors resolved on the allocation of in total 1,850,000 stock options to certain key personnel of the Company (including also to the managing director). The Board of Directors further resolved to definitely and irrevocably cancel 72,268 stock options 2013A held by the company.

On 3 September 2018, the Company announced that it had completed its supplementary Phase III clinical trial, known as E-FIT, evaluating the use of Nexstim's NBT® system in upper extremity motor rehabilitation following stroke. The supplemental E-FIT trial was conducted at five leading clinical centres in the US and recruited a planned total of 60 patients. The E-FIT trial used a new sham comparator that was designed to provide data to supplement the completed Phase III NICHE trial, which demonstrated excellent results in the active group, with 2/3 patients showing a clinically meaningful response.

In the primary efficacy analysis, the E-FIT trial dataset was combined with data from the active trial arm of the previously completed Phase III NICHE trial as recommended by the FDA. In the combined dataset no statistically significant difference in percentage of patients obtaining a clinically important improvement of hand and arm function between active and sham trial arms were observed. Similarly, in a secondary analysis of the E-FIT dataset alone, no statistically significant differences between the trial arms were observed (60% vs 50%, active and sham NBT, respectively, p=0.62). The results in both trial arms exceeded the literature-based response expectation of approximately 1/3 in occupational therapy alone. The following resolutions were adopted at its extraordinary general meeting (EGM) of shareholders held on 21 November 2018:

- The reduction of the quantity of Company's shares without reducing share capital by way of issuing new shares and by redemption of Company's own shares, in such a way that each current 30 shares of the Company shall correspond to one share of the Company after the arrangements related to the reduction of the quantity of Company's shares are completed.
- Authorised the Board of Directors to decide to issue 7,000,000 new shares either against payment or without consideration.

Between 23 November and 3 December 2018, the Company published a total of five company announcements about completing the separate phases connected to reduction of the quantity of shares. The final number of shares was 3,253,751 after all arrangements connected to the reduction of the quantity of shares had been completed.

### Major Events after the Financial Period

On 14 January 2019 the Company announced that had shifted its resources and focus during year 2018 to generating Navigated Brain Therapy (NBT®) system sales for the treatment of MDD and that this strategy had delivered good results in the US, Europe and rest of the world. In order to fund the further commercialisation of Nexstim's therapy business the Company informed that it's evaluating a potential funding round that could be concluded during Q1 or early Q2 2019.

On 25 January 2019, Nexstim Plc announced that pursuant to the reduction of the quantity of shares in the Company and due to an error in the calculation of the shares held by nominee shareholders by a certain custodial nominee account holder and respective correction of such error, in total 5 treasury shares remained in the possession of the Company of the total amount of 9,000 treasury shares which were issued to the Company without consideration on 21 November 2018 of which amount in total 7,724 treasury shares were already annulled by a resolution of the Board of Directors on 30 November 2018. It was hereby resolved to also annul such 5 treasury shares. The total amount of shares in the Company is after the annulment 3,253,746. The new quantity of shares was registered within the Trade Register on 31.1.2019.

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

## Nexstim plc Report of the Board of Directors 2018

continued

### Major Events after the Financial Period continued

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

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

### Future Outlook

Based on its business forecast, the Company expects therapy business revenue to grow during year 2019 and a loss for the period is expected for the financial year 2019.

### Major Risks and Uncertainties

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

Risks relating to the Company and its business operations:

- The Company has a history of operating losses and the operations may never become profitable
- 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 Company's requirements
- 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'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
- Development of the financial condition of group companies may be weaker than expected and which may result into difficulties in repayment of loans granted by the parent company
- The Company may not be able to utilise all tax losses incurred
- There may be changes in reported profitability or financial position due to changes in accounting regulation or possible future decision to start to apply international Financial Reporting Standards
- The Company may become subject to product liability claims and other claims
- The Company may in the future be involved in litigation and 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's tax burden could increase due to changes in tax laws or regulations or their application, or as a result of future tax audits
- 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 Company may be adversely affected by fluctuations in exchange rates
- The Company may be adversely affected by increasing costs

Risks relating to the shares:

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

Risks relating to general economic conditions:

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

### Share and Shareowners

As at December 31, 2018, the fully paid-up share capital of Nexstim Plc amounts to EUR 80,000.00, consisting of 3,253,751 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 2018, Nexstim had no treasury shares. Each Share entitles its holder to one vote at the general meetings of shareholders of Nexstim Plc. The Shares are issued under Finnish law.

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

On January 1–December 31, 2018, the highest price of the company share was EUR 1.40 (2017: EUR 0.40) and SEK 15.89 (2017: SEK 3.25), the lowest price was EUR 0.05 (2017: EUR 0.14) and SEK 0.47 (2017: SEK 1.32), and the average price was EUR 3.08\* (2017: EUR 0.24) and SEK 32.77\* (2017: SEK 2.24). The closing price for 2018 on December 28, 2018, was EUR 0.60 (2017: EUR 0.28) and SEK 5.80 (2017: SEK 2.70).

In public trading on January 1–December 31, 2018, a total of 6,465,447\* shares were traded, which corresponds to 202.8 percent of the average number of shares on the said period. On January 1–December 31, 2018, there were 3,187,487\* shares on the average.

The market value of the share capital at the closing price of 2018, EUR 0.60 and SEK 5.80, on December 28, 2018, was EUR 1,956 thousand (2017: EUR 25,623) and SEK 18,875 thousand (2017: 251,569).

On December 31, 2018, the company had 5,984 (2017: 5,789) shareowners including the nominee registers (7 registers). The share of nominee registered ownership was 52.4 percent (2017: 73.6) of the total number of shares.

Nexstim Plc Board of Directors had on December 31, 2018 the following authorisations granted.

The 21 November 2018 Extraordinary General Meeting (EGM) authorised the Board of Directors to decide to issue 7,000,000 new shares either against payment or without consideration.

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

Based on the authorisation, the Board of Directors can pursuant to chapter 10, section 1, of the Companies Act also decide on issuing option rights or other special rights entitling to new shares of the Company. The subscription price of the new shares can be recorded partly or fully to the invested unrestricted equity reserve or to share capital according to the decision of the Board of Directors. The Board of Directors is entitled to decide on conditions regarding the issuance of shares as well as the issuance of option rights or other special rights entitling to shares. The authorisation is valid for one year from the EGM.

# Nexstim plc Report of the Board of Directors 2018

continued

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Nexstim Plc shareowners at the end of year 2018 was as follows.

	Shareholder	No. of shares	Holding %
1.	Nordea Bank ABP*	1,366,530	42.00
2.	The Finnish Innovation Fund Sitra	314,062	9.65
3.	Clearstream Banking S.A.*	283,893	8.73
4.	Kivi Esko	63,698	1.96
5.	Haapaniemi Ossi	24,516	0.75
6.	Niukkanen Pentti Juhani	20,001	0.61
7.	Danske Bank AS Helsinki Branch*	19,780	0.61
8.	Tuomela Matti Veikko Antero	15,800	0.49
9.	Haapaniemi O.Law Oy	13,346	0.41
10.	Skandinaviska Enskilda Banken AB*	12,877	0.40
11.	Paasivirta Esa Juhani	12,265	0.38
12.	Svenska Handelsbanken AB (publ), Branch Operation in Finland*	12,246	0.38
13.	Lago Kapital Oy	12,011	0.37
14.	Amra Oy	9,334	0.29
15.	Partanen Juha Veikko	9,242	0.28
16.	Wikberg Ilkka Sakari	8,909	0.27
17.	Ihantola Markku Wilhelm	8,834	0.27
18.	Salminen Juha Mika Aukusti	8,500	0.26
19.	Christiansen Mikael Antero	8,452	0.26
20.	Pyykönen Riku Tapani	8,134	0.25

\*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 2018: Martin Jamieson (Chairman), Juliet Thompson (Deputy Chairman), Kenneth Charhut, Rohan Hoare, Tomas Holmberg. The Board of Directors convened 15 times during 2018.

### CEO

Martin Jamieson acted as CEO of Nexstim Plc and group during 2018.

### Management team

The following members were part of Nexstim group management team during 2018: Martin Jamieson (CEO), Steve Beller (Vice President and General Manager, North America), Henri Hannula (Vice President, International Sales and Marketing), Gustaf Järnefelt (Vice President, R&D), Mikko Karvinen (CFO), Hanna Kotola (Vice President, Legal, Quality & Regulatory Affairs), Jarmo Laine (Vice President, Medical Affairs).

### Board of Directors' Proposal on the Dividend

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

At the end of the financial period of 2018, the distributable assets of the group's parent company were EUR 12,213,958.02. The Board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2018.

## Consolidated Financial Statements

### Profit and Loss Statement

for the financial year ended 31 December 2018

	Note	1 January – 31 December 2018 €	1 January – 31 December 2017 €
<b>NET SALES</b>	2	<b>2,672,151.12</b>	2,645,348.35
Work performed for own purpose and capitalised		<b>36,322.00</b>	38,800.00
Other operating income	3	<b>33,719.59</b>	70,164.40
<b>Materials and services</b>			
<b>Materials</b>			
Purchases during the financial year		<b>(628,205.38)</b>	(617,180.98)
Increase (+) decrease (-) in inventories		<b>(82,140.08)</b>	94,837.93
External services		<b>0.00</b>	(29,793.64)
<b>Total</b>		<b>(710,345.46)</b>	(552,136.69)
<b>Personnel expenses</b>	4		
Wages and salaries		<b>(3,353,035.23)</b>	(2,903,274.84)
<b>Social security expenses</b>			
Pension expenses		<b>(336,504.73)</b>	(277,217.28)
Other social security expenses		<b>(247,954.28)</b>	(154,194.09)
<b>Total</b>		<b>(3,937,494.24)</b>	(3,334,686.21)
<b>Depreciation and amortisation</b>			
Depreciation and amortisation according to plan		<b>(424,046.68)</b>	(341,302.35)
<b>Total</b>		<b>(424,046.68)</b>	(341,302.35)
Other operating expenses	5	<b>(3,985,942.71)</b>	(4,118,134.06)
<b>OPERATING PROFIT/(LOSS)</b>		<b>(6,315,636.38)</b>	(5,591,946.56)
Financial income and expenses	6		
Other interest income and other financial income		<b>858,137.89</b>	382.60
Interest and other financial expenses		<b>(695,093.79)</b>	(1,733,556.28)
<b>Total</b>		<b>163,044.10</b>	(1,733,173.68)
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>(6,152,592.28)</b>	(7,325,120.24)
Income taxes		<b>(1,726.32)</b>	(2,804,.57)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>(6,154,318.60)</b>	(7,327,924.81)

## Consolidated Financial Statements continued

### Balance Sheet

	Note	31 December 2018 €	31 December 2017 €
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Development expenditure	7	71,638.99	70,498.46
Intangible rights		358,229.20	470,038.75
<b>Total</b>		<b>429,868.19</b>	540,537.21
<b>Tangible assets</b>			
Machinery and equipment	8	464,740.49	167,287.63
<b>Total</b>		<b>464,740.49</b>	167,287.63
<b>Investments</b>			
Other shares and similar rights of ownership	9	10,000.00	10,000.00
<b>Total</b>		<b>10,000.00</b>	10,000.00
<b>NON-CURRENT ASSETS TOTAL</b>			
		<b>904,608.68</b>	717,824.84
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables		258,765.98	387,099.65
<b>Total</b>		<b>258,765.98</b>	387,099.65
<b>Receivables</b>			
Trade receivables		888,862.76	1,152,452.16
Prepayments and accrued income	10	307,746.35	117,181.15
Other receivables		126,921.76	195,520.02
<b>Total</b>		<b>1,323,530.87</b>	1,465,153.33
Cash in hand and at banks		7,175,151.06	8,473,596.51
<b>CURRENT ASSETS TOTAL</b>		<b>8,757,447.91</b>	10,325,849.49
<b>ASSETS TOTAL</b>		<b>9,662,056.59</b>	11,043,674.33

	Note	31 December 2018 €	31 December 2017 €
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
	11		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		39,480,595.19	38,519,113.59
Retained earnings/(loss)		(33,700,549.47)	(25,750,401.62)
Profit/(loss) for the financial year		(6,154,318.60)	(7,327,924.81)
<b>TOTAL EQUITY</b>		<b>(294,272.88)</b>	5,520,787.16
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Capital loans	12	100,000.00	300,000.00
Other interest-bearing loans	13	7,063,436.70	3,423,839.44
Deferred income	13	0.00	13,400.00
<b>Total</b>		<b>7,163,436.70</b>	3,737,239.44
<b>CURRENT LIABILITIES</b>			
Bank loans		1,103,763.74	0.00
Trade payables		597,131.70	961,494.19
Other liabilities		290,634.20	113,049.13
Accrued expenses	14	801,363.13	711,104.41
<b>Total</b>		<b>2,792,892.77</b>	1,785,647.73
<b>TOTAL LIABILITIES</b>		<b>9,956,329.47</b>	5,522,887.17
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>9,662,056.59</b>	11,043,674.33

## Consolidated Financial Statements continued

### Consolidated Cash Flow Statement

	1 January – 31 December 2018 €000s	1 January – 31 December 2017 €000s
<b>Cash flows from operating activities</b>		
<b>Profit/(Loss) for the financial period</b>	<b>(6,154.3)</b>	(7,327.9)
Adjustments:		
Depreciation and amortisation according to plan	424.1	341.3
Other adjustments (income-/expense +)	(622.2)	1,543.7
Financial income and expenses	(163.0)	1,733.2
<b>Cash flows before change in working capital</b>	<b>(6,515.5)</b>	(3,709.7)
<b>Change in working capital:</b>		
Increase (-) or decrease (+) in current receivables	703.0	(1,941.7)
Increase (-) or decrease (+) in inventories	128.3	(94.8)
Increase (+) or decrease (-) in current interest-free payables	(109.9)	481.4
<b>Cash flows from operations before financial items and taxes</b>	<b>(5,794.2)</b>	(5,265.1)
Interest and other financial expenses paid	(398.3)	(137.8)
<b>Cash flows from operating activities (A)</b>	<b>(6,192.5)</b>	(5,402.9)
<b>Cash flows from investing activities</b>		
Investments in intangible and tangible assets	(610.8)	(147.8)
<b>Cash flows from investments (B)</b>	<b>(610.8)</b>	(147.8)
<b>Cash flows from financing activities</b>		
Share issue	961.5	6,765.3
Drawing (+) or repayment of long-term loans (-)	4,543.4	(897.3)
<b>Cash flows from financing activities (C)</b>	<b>5,504.8</b>	5,868.0
<b>Change in cash in hand and at banks</b>	<b>(1,298.4)</b>	317.2
<b>Cash in hand and at banks in the beginning of the period</b>	<b>8,473.6</b>	8,156.4
<b>Cash in hand and at banks at end of the period</b>	<b>7,175.2</b>	8,473.6



# Notes to the Financial Statements

## 1. Accounting principles

### Consolidation

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

### Supplements to the consolidated financial statement figures

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

- 2. Net sales,
- 4. Personnel expenses – Salaries and bonuses of directors,
- 5. Other operating expenses,
- 10. Prepayments and accrued income,
- 13. Non-current liabilities – Maturity of interest-bearing liabilities,
- 14. Accrued expenses
- 15. Commitments and
- 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 cost that generate revenue in the future periods are capitalised and amortised over a five-year period on a straight-line basis.

### Taxes

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

## Notes for Profit and Loss Account

### 2. Net Sales

	2018	2017
NBS/NBT Systems	1,505,610.60	1,717,843.37
Other	1,166,540.52	927,504.98
<b>Total</b>	<b>2,672,151.12</b>	<b>2,645,348.35</b>

#### Net Sales by geographical area

	2018	2017
Finland	673,988.60	222,012.12
Rest of Europe*	840,792.18	1,920,329.94
USA	1,048,670.34	461,465.43
Other	108,700.00	41,540.86
<b>Total</b>	<b>2,672,151.12</b>	<b>2,645,348.35</b>

\* including Russia

### 3. Other operating income

	2018	2017
Other income	8,623.59	70,164.40
Government grants	25,096.00	0.00
<b>Total</b>	<b>33,719.59</b>	<b>70,164.40</b>

### 4. Personnel expenses

	2018	2017
Wages and salaries	(3,353,035.23)	(2,903,274.84)
Pension expenses	(336,504.73)	(277,217.28)
Other social security expenses	(247,954.28)	(154,194.09)
<b>Total</b>	<b>(3,937,494.24)</b>	<b>(3,334,686.21)</b>

	2018	2017
Average number of personnel	29	24

	2018	2017
Salaries and bonuses of directors		
CEO	448,500.00	531,070.40
Board of Directors	171,000.00	161,068.17
<b>Total</b>	<b>619,500.00</b>	<b>692,138.57</b>

## 5. Other operating expenses

	2018	2017
Multi-Centre stroke trial direct costs	<b>(360,580.23)</b>	(1,517,826.02)
Legal and consulting services	<b>(502,566.75)</b>	(923,059.55)
Travel expenses	<b>(693,905.24)</b>	(396,615.27)
Development expenses	<b>(571,629.48)</b>	(347,950.97)
Marketing expenses	<b>(302,401.75)</b>	(215,086.67)
Premise costs	<b>(138,410.99)</b>	(142,009.81)
Voluntary social costs	<b>(95,572.77)</b>	(60,517.54)
Other	<b>(1,320,875.49)</b>	(515,068.23)
<b>Total</b>	<b>(3,985,942.70)</b>	(4,118,134.06)

Auditor's fees	2018	2017
Audit	<b>33,000.00</b>	30,084.88
<b>Total</b>	<b>33,000.00</b>	30,084.88

## 6. Financial income and expenses

	2018	2017
Other interest income and other financial income	<b>858,137.89</b>	382.60
Interest and other financial expenses	<b>(695,093.79)</b>	(1,733,556.28)
<b>Total</b>	<b>163,044.10</b>	(1,733,173.68)

## Notes for Balance Sheet

### 7. Intangible assets

#### Development costs

	2018	2017
1 January	70,498.46	66,252.93
Increases	36,322.00	38,800.00
Planned depreciation	(35,181.47)	(34,554.47)
<b>31 December</b>	<b>71,638.99</b>	<b>70,498.46</b>

#### Intangible rights (Patents)

	2018	2017
1 January	470,037.75	585,968.69
Increases	122,142.16	133,780.06
Planned depreciation	(233,951.70)	(249,711.00)
<b>31 December</b>	<b>358,228.20</b>	<b>470,037.75</b>

### 8. Tangible assets

#### Machinery and equipment

	2018	2017
1 January	167,287.63	249,067.93
Increase	463,878.48	10,000.00
Decrease	(11,512.12)	(34,743.40)
Planned depreciation	(154,913.50)	(57,036.88)
<b>31 December</b>	<b>464,740.49</b>	<b>167,287.63</b>

### 9. Other shares and similar rights of ownership

#### Holdings in group undertakings

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

#### Other shares

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

### 10. Prepayments and accrued income

	2018	2017
Wage and salary receivables	0.00	0.00
Tekes grants	0.00	0.00
Other prepayments and accrued income	307,746.35	117,181.15
<b>Total</b>	<b>307,746.35</b>	<b>117,181.15</b>

## 11. Equity

	2018	2017
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
<b>Share capital 31 December</b>	<b>80,000.00</b>	80,000.00
<b>Total restricted equity</b>	<b>80,000.00</b>	80,000.00
Reserve for invested unrestricted equity 1 January	38,519,113.59	31,692,606.88
Increases	961,481.60	6,826,506.71
Reductions		
<b>Reserve for invested unrestricted equity 31 December</b>	<b>39,480,595.19</b>	38,519,113.59
Retained earnings /(loss) 1 January	(33,078,326.43)	(27,294,114.18)
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	(622,223.04)	1,543,712.56
Profit/(loss) for the period	(6,154,318.60)	(7,327,924.81)
<b>Retained earnings/(loss) 31 December</b>	<b>(39,854,868.07)</b>	(33,078,326.43)
<b>Total unrestricted equity</b>	<b>(374,272.88)</b>	5,440,787.16
<b>Total equity</b>	<b>(294,272.88)</b>	5,520,787.16

### Going concern

The financial statements for the 2018 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 2018 (EUR 7 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, assuming that the Company will be able to comply with the agreed terms of its EUR 4 million loan agreement entered into with Kreos Capital V (UK) Limited ("Kreos") and no event of default or material adverse change does not occur which would entitle Kreos to prematurely call back its loan. Based on such preconditions, the Company estimates that the current working capital suffices then until end of Q3 2019.

In the event the preconditions regarding Kreos are not fulfilled, and Kreos calls back its loan, with outstanding interests and fees, an aggregate amount of EUR 6 million would then be estimated to be needed to cover the Company's working capital deficiency for at least the mentioned 12-month period, and the Company estimates that the current working capital suffices then until the end of April 2019.

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

## Notes for Balance Sheet continued

### Consolidated statement of changes in total equity

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December, 2017	80.0	0.0	0.0	38,519.1	(33,078.3)	5,520.8
Issue of shares				961.5		961.5
Profit/(loss) for the period					(6,154.3)	(6,154.3)
Translation difference					(622.2)	(622.2)
<b>Equity on 31 December 2018</b>	<b>80.0</b>	<b>0.0</b>	<b>0.0</b>	<b>39,480.6</b>	<b>(39,854.9)</b>	<b>(294.3)</b>

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

### 12. Capital loans

	2018	2017
1 January	300,000.00	1,250,000.00
Increases	0.00	0.00
Reductions	(100,000.00)	(950,000.00)
<b>31 December</b>	<b>200,000.00</b>	<b>300,000.00</b>

#### Capital loan from tekes

Main terms of the capital loan granted by Tekes are:

- Interest rate is one percent lower than the valid basic interest rate. However, the interest rate is always at least 3% p.a.
- The principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the company.
- The principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements.
- Loan period is 8 (eight) years, of which first 5 (five) years are free of repayment
  - There is no collateral for the loan.

The company has on June 2, 2015 agreed on a new payment plan with Valtiokonttori related to February 8, 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 amortization schedule. The accumulated accrued unpaid interest on the capital loans of the company amounted to EUR 105.1 thousand at 31 December 2018 and it has been recognised as an expense in income statement and as a liability on the balance sheet.

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<b>Tekes capital loan balance 31 December 2018</b>	<b>200,000.00</b>
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## 12. Capital loans continued

### Convertible loan from bracknor

Main terms of the convertible loan from Bracknor Investment are:

- Nexstim issued during financial year 2016 zero coupon loan notes in the form of a capital loan with the maturity of 18 months from the issuance
- The Loan Notes were issued in seven guaranteed sequential tranches totalling to EUR 5 million
- The Loan Notes were fully converted into Nexstim shares during financial years 2016 and 2017.

	2018	2017
1 January	0.00	850,000.00
Increases	0.00	0.00
Reductions	0.00	(850,000.00)
<b>31 December</b>	<b>0.00</b>	<b>0.00</b>

## 13. Non-current liabilities

### Non-current liabilities

	2018	2017
Capital loans	100,000.00	300,000.00
Convertible bonds, Bracknor	0.00	0.00
Loan, Kreos Capital	2,996,236.26	0.00
Product development loans from TEKES	3,967,200.44	3,423,839.44
Deferred income	0.00	13,400.00
<b>Total</b>	<b>7,063,436.70</b>	<b>3,737,239.44</b>

### Maturity of interest-bearing liabilities

	2018	2017
Interest-bearing liabilities total	7,163,436.70	3,723,839.44
Due later than 5 years	2,108,528.44	2,791,776.60

## 14. Accrued expenses

	2018	2017
Holiday accrual	243,183.13	198,081.69
Accrued interest	118,564.35	95,145.36
Accrued pension expenses	0.00	0.00
Other accrued expenses	439,615.65	417,877.36
<b>Total</b>	<b>801,363.13</b>	<b>711,104.41</b>

## 15. Commitments

### Leasing liabilities

	2018	2017
Due within next financial year	51,772.20	52,602.37
Due later	0.00	0.00
<b>Total</b>	<b>51,772.20</b>	<b>52,602.37</b>

## Notes for Balance Sheet continued

### 16. Guarantees

	2018	2017
Rent deposits	<b>54,961.88</b>	54,913.78
Total	<b>54,961.88</b>	54,913.78

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

### 17. Shares of the company

Shares of the Company consists of following share classes

	2018 (pcs)	2017 (pcs)
A (1 vote/share)	<b>3,253,751*</b>	93,173,604
	<b>3,253,751</b>	93,173,604

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

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

### 18. Stock options and warrants

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

In connection with merging of the share classes and share split on 29 September 2014, where the number of shares was increased 14-fold, the amount of option rights was increased respectively, and the maximum amounts were adjusted. In connection with the share reverse split on 26 November 2018, where the number of shares was decreased 30-fold, the amounts were decreased and subscription prices of option rights were increased respectively, and the maximum amounts were adjusted.

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 4.80	95,301 shares	1/7/2019-15/12/2024
2016C	EUR 6.00	122,069 shares	1/7/2020-15/12/2025*
2017	EUR 4.80	39,285 shares	20/10/2018-31/3/2023
2018A	**	36,665 shares	1/7/2022-15/12/2027
2018B	***	36,665 shares	1/7/2023-15/12/2028

\* 67,048 stock options of the stock options 2016C have been amended in such way that, that the first possible share subscription date is July 1, 2021.

\*\* The share subscription price for stock options 2018A 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 2018.

\*\*\* The share subscription price for stock options 2018B 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 2019.



## 18. Stock options and warrants continued

Holdings of the Board of Directors and management team	(%)
Ownership based on proportion of total number of issued shares	0.50
Ownership based on proportion of total number of issued shares and option rights*	6.33
Proportion of votes based on ownership of shares	0.50
Proportion of votes based on ownership of shares and option rights*	6.33

\* Assuming that all stock options are exercised

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

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

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.

Warrant	Exercise price/share	Maximum amount of warrants	Expiry date
CBF1	EUR 25.62	12,629 shares	18 August 2020
CBF2	EUR 15.04	21,513 shares	22 September 2020
CBF3	EUR 10.14	34,231 shares	20 October 2020
CBF4	EUR 9.11	74,384 shares	8 November 2020
CBF5	EUR 8.70	148,769 shares	16 November 2020
CBF6	EUR 8.32	334,462 shares	5 December 2020
SEDA1	EUR 19.71	16,094 shares	1 November 2019
SEDA2	EUR 19.71	26,034 shares	11 November 2019
SEDA3	EUR 19.71	28,452 shares	17 November 2019
SEDA4	EUR 19.71	47,940 shares	28 November 2019
SEDA5	EUR 19.71	25,744 shares	17 January 2020
SEDA6	EUR 19.71	195,851 shares	8 March 2020
SITRA1	EUR 19.71	8,388 shares	22 August 2019
SITRA2	EUR 19.71	27,222 shares	5 December 2019
SITRA3	EUR 19.71	41,122 shares	14 March 2020
SITRA4	EUR 19.71	17,211 shares	6 June 2020
KREOS	EUR 8.28	57,992 shares	13 July 2022

The total number of outstanding warrants at year end 2018 was 1,118,038 (see above for details). CBF1-6 warrants were issued as part of the Bracknor convertible bond facility (CBF) agreement between August 18, 2016 and December 5, 2016. SEDA1-6 warrants were issued as part of the Bracknor stand-by equity distribution agreement (SEDA) between November 1, 2016 and March 8, 2017. SITRA1 warrants were issued as part of the direct share issuance to Sitra on August 22, 2016 and SITRA2-4 warrants were issued as part of the SEDA share issues to Sitra between December 5, 2016 and June 6, 2017. KREOS warrants were issued as part of the loan drawn from Kreos Capital on 19 June 2018.

## Notes for Balance Sheet continued

### 19. Restricted share unit plans

The annual general meeting of Shareholders decided on March 28, 2017 that a restricted share unit plan be implemented to selected members of the Board of Directors of Nexstim Plc, on the terms and conditions attached to the proposals of the Board of Director's and its Committees to the annual general meeting which is available on the company's web site [www.nexstim.com](http://www.nexstim.com). The plan includes four vesting periods, corresponding to the terms of office 2016-2017, 2017-2018, 2018-2019 and 2019-2020 of the member of the Board.

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

The target group of the plan will be those members of the Board of Director's who are independent of the company. The reward allocations in 2017 will be determined in cash.

#### Allocation for Board Members for the Vesting Period 2018-2019

The annual general meeting decided that for each Board member who is independent from the company the grant gross value of the reward for the vesting period 2018-2019 will be EUR 12,500. The aim is to propose equal allocations for the Board Members also to the annual general meetings of Shareholders in 2019 and 2020.

The granted reward will be converted into restricted share units at the beginning of the vesting period, in 2018. The conversion of the granted reward into restricted share units will be based on the trade volume weighted average quotation of the company's share on Nasdaq Helsinki Ltd during 20 trading days following the release date of the company's Financial Statements from 2017. In the plan, one restricted share unit corresponds to one company's share. The value of the payable reward will be determined on the basis of the share price on the book-entry registration date of the paid shares.

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

#### Reward payment for Board Members for the Vesting Period 2017-2018

On 28 March 2018 the Board of Directors of the Company resolved on issuing altogether 209,765 new shares without payment to four members of the Board of Directors. The members of the Board of Directors participating in the plan are Ken Charhut, Tomas Holmberg, Rohan Hoare and Juliet Thompson. Ken Charhut, Rohan Hoare and Juliet Thompson each received 50,781 shares and Tomas Holmberg received 57,422 shares based on the amount of the gross reward for the vesting period 2017-2018 determined by the Annual General Meeting on 28 March 2017.

## Parent Company Financial Statement

### Profit and Loss Statement

for the financial year ended 31 December 2018

	Note	1 January – 31 December 2018 €	1 January – 31 December 2017 €
<b>NET SALES</b>		<b>2,299,849.85</b>	2,256,637.00
Work performed for own purpose and capitalised		<b>36,322.00</b>	38,800.00
Other operating income	2	<b>743,640.84</b>	481,363.00
<b>Materials and services</b>			
<b>Materials</b>			
Purchases during the financial year		<b>(984,821.59)</b>	(621,791.35)
Increase (+) decrease (-) in inventories		<b>(63,119.31)</b>	(19,037.45)
<b>Total</b>		<b>(1,047,940.90)</b>	(640,828.80)
<b>Personnel expenses</b>			
Wages and salaries		<b>(2,407,901.56)</b>	(2,207,852.33)
<b>Social security expenses</b>			
Pension expenses		<b>(336,504.73)</b>	(277,217.28)
Other social security expenses		<b>(56,642.33)</b>	(30,015.56)
<b>Total</b>		<b>(2,801,048.62)</b>	(2,515,085.17)
<b>Depreciation and amortisation</b>			
Depreciation and amortisation according to plan		<b>(318,817.35)</b>	(339,611.70)
<b>Total</b>		<b>(318,817.35)</b>	(339,611.70)
Other operating expenses		<b>(3,223,806.13)</b>	(3,584,223.01)
<b>OPERATING PROFIT/(LOSS)</b>		<b>(4,311,800.31)</b>	(4,302,948.68)
Financial income and expenses	3		
Other interest income and other financial income		<b>1,917,473.72</b>	891,114.11
Interest and other financial expenses		<b>(4,879,848.58)</b>	(1,619,923.24)
<b>Total</b>		<b>(2,962,374.86)</b>	(728,809.13)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>(7,274,175.17)</b>	(5,031,757.81)

## Parent Company Financial Statement continued

### Balance Sheet

	Note	31 December 2018 €	31 December 2017 €
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Development expenditure	4	71,638.99	70,498.46
Intangible rights		358,228.20	470,037.75
<b>Total</b>		<b>429,867.19</b>	540,536.21
<b>Tangible assets</b>			
Machinery and equipment	5	149,052.46	166,038.65
<b>Total</b>		<b>149,052.46</b>	166,038.65
<b>Investments</b>			
Investments in group companies	6	408,896.52	408,896.52
Long-term receivables from group companies		10,165,902.39	9,001,535.28
Other shares and similar rights of ownership		10,000.00	10,000.00
<b>Total</b>		<b>10,584,798.91</b>	9,420,431.80
<b>NON-CURRENT ASSETS TOTAL</b>		<b>11,163,718.56</b>	10,127,006.66
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables		210,104.96	273,224.27
<b>Total</b>		<b>210,104.96</b>	273,224.27
<b>Receivables</b>			
Trade receivables		324,930.54	662,494.24
Short-term receivables from group companies	7	2,698,947.16	4,450,186.23
Prepayments and accrued income		243,908.32	77,123.33
Other receivables		111,703.10	180,409.11
<b>Total</b>		<b>3,379,489.12</b>	5,370,212.91
Cash in hand and at banks		7,102,812.82	8,121,530.90
<b>CURRENT ASSETS TOTAL</b>		<b>10,692,406.90</b>	13,764,968.08
<b>ASSETS TOTAL</b>		<b>21,856,125.46</b>	23,891,974.74

	Note	31 December 2018 €	31 December 2017 €
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
	8		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		39,480,595.19	38,519,113.59
Retained earnings/(loss)		(19,992,462.00)	(14,960,704.19)
Profit/(loss) for the financial year		(7,274,175.17)	(5,031,757.81)
<b>TOTAL EQUITY</b>		<b>12,293,958.02</b>	18,606,651.59
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Capital loans		100,000.00	300,000.00
Other interest-bearing loans		7,063,436.70	3,423,839.44
Deferred income		0.00	13,400.00
<b>Total</b>		<b>7,163,436.70</b>	3,737,239.44
<b>CURRENT LIABILITIES</b>			
Bank loans		1,103,763.74	0.00
Trade payables		483,570.94	550,493.16
Payables to group companies	9	0.00	313,905.26
Other liabilities		68,740.21	66,651.93
Accrued expenses		742,655.85	617,003.36
<b>Total</b>		<b>2,398,730.74</b>	1,548,053.71
<b>TOTAL LIABILITIES</b>		<b>9,562,167.44</b>	5,285,293.15
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>21,856,125.46</b>	23,891,974.74

## Parent Company Financial Statement continued

### Parent Company Cash Flow Statement

	1 January – 31 December 2018 €000s	1 January – 31 December 2017 €000s
<b>Cash flows from operating activities</b>		
<b>Profit/(Loss) for the financial period</b>	<b>(7,274.2)</b>	(5,031.8)
Adjustments:		
Depreciation and amortisation according to plan	<b>318.8</b>	339.6
Other adjustments (income -/ expense +)		
Financial income and expenses	<b>2,700.4</b>	728.8
<b>Cash flows before change in working capital</b>	<b>(4,255.0)</b>	(3,963.3)
<b>Change in working capital:</b>		
Increase (-) or decrease (+) in current receivables	<b>(2,896.8)</b>	(1,865.2)
Increase (-) or decrease (+) in inventories	<b>63.1</b>	19.0
Increase (+) or decrease (-) in current interest-free payables	<b>(266.5)</b>	323.8
<b>Cash flows from operations before financial items and taxes</b>	<b>(3,100.2)</b>	(5,485.7)
Interest and other financial expenses paid	<b>1,022.7</b>	(140.9)
<b>Cash flows from operating activities (A)</b>	<b>(6,332.4)</b>	(5,626.6)
<b>Cash flows from investing activities</b>		
Investments in intangible and tangible assets	<b>(191.2)</b>	(147.8)
<b>Cash flows from investments (B)</b>	<b>(191.2)</b>	(147.8)
<b>Cash flows from financing activities</b>		
Share issue	<b>961.5</b>	6,765.3
Increase (+) or decrease (-) in long-term loans	<b>4,543.4</b>	(897.3)
<b>Cash flows from financing activities (C)</b>	<b>5,504.8</b>	5,868.0
<b>Change in cash in hand and at banks</b>	<b>(1,018.7)</b>	93.6
<b>Cash in hand and at banks in the beginning of the period</b>	<b>8,121.5</b>	8,027.9
<b>Cash in hand and at banks at end of the period</b>	<b>7,102.8</b>	8,121.5

## 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 to the Parent Company Financial Statements continued

### Notes for Profit and Loss Account

#### 2. Other operating income

	2018	2017
Other income	718,544.84	418,363.00
Government grants	25,096.00	63,000.00
<b>Total</b>	<b>743,640.84</b>	<b>481,363.00</b>

#### 3. Financial income and expenses

	2018	2017
Other interest income and other financial income	1,917,473.72	891,114.11
Interest and other financial expenses	(4,879,848.58)	(1,619,923.24)
<b>Total</b>	<b>(2,962,374.86)</b>	<b>(728,809.13)</b>

The interest and other financial expenses include a EUR 4,346,174.96 and the other interest income and other financial income a EUR 1,316,587.00 impairment of receivables from group company Nexstim, Inc.

#### 4. Intangible assets

##### Development costs

	2018	2017
1 January	70,498.46	66,252.93
Increase	36,322.00	38,800.00
Planned depreciation	(35,181.47)	(34,554.47)
<b>31 December</b>	<b>71,638.99</b>	<b>70,498.46</b>

##### Intangible rights (Patents)

	2018	2017
1 January	470,037.75	585,968.69
Increases	122,142.16	133,780.06
Planned depreciation	(233,951.71)	(249,711.00)
<b>31 December</b>	<b>358,228.20</b>	<b>470,037.75</b>

#### 5. Tangible assets

##### Machinery and equipment

	2018	2017
1 January	166,038.65	246,162.83
Increase	32,697.98	10,000.00
Decrease	0.00	(34,777.95)
Planned depreciation	(49,684.17)	(55,346.23)
<b>31 December</b>	<b>149,052.46</b>	<b>166,038.65</b>



## Notes for Balance Sheet

### 6. Investments

#### Holdings in group undertakings

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

#### Other investments in group companies

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

#### Long-term receivables from group companies

	2018	2017
Nexstim Inc. loan receivables	<b>9,838,297.99</b>	8,685,107.15
Nexstim Germany GmbH loan receivables	<b>200,000.00</b>	200,000.00
Nexstim Ltd loan receivables	<b>127,604.40</b>	116,428.13
<b>Total</b>	<b>10,165,902.39</b>	9,001,535.28

The Parent Company has outstanding long-term and short-term intercompany receivables from its subsidiaries of EUR 12.9 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.

#### Other shares

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

## Notes to the Parent Company Financial Statements continued

### Notes for Profit and Loss Account continued

#### 7. Short-term receivables from group companies

	2018	2017
Nexstim Inc. accounts receivables	50,553.14	1,648,613.62
Nexstim Germany GmbH accounts receivables	1,115,758.01	1,030,402.62
Nexstim Ltd accounts receivables	4,523.53	0.00
Nexstim Inc. interest receivables	1,439,218.56	1,711,813.04
Nexstim Germany GmbH interest receivables	58,233.85	20,033.09
Nexstim Ltd interest receivables	30,660.07	39,323.86
<b>Total</b>	<b>2,698,947.16</b>	<b>4,450,186.23</b>

#### 8. Equity

	2018	2017
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
<b>Share capital 31 December</b>	<b>80,000.00</b>	<b>80,000.00</b>
<b>Total restricted equity</b>	<b>80,000.00</b>	<b>80,000.00</b>
Reserve for invested unrestricted equity 1 January	38,519,113.59	31,692,606.88
Increases	961,461.60	6,826,506.71
Reductions	0.00	0.00
<b>Reserve for invested unrestricted equity 31 December</b>	<b>39,480,595.19</b>	<b>38,519,113.59</b>
Retained earnings/(loss) 1 January	(19,992,462.00)	(14,960,704.19)
Adjustments for previous years	0.00	0.00
Translation difference	0.00	0.00
Profit/(loss) for the period	(7,274,175.17)	(5,031,757.81)
<b>Retained earnings/(loss) 31 December</b>	<b>(27,266,637.17)</b>	<b>(19,992,462.00)</b>
<b>Total unrestricted equity</b>	<b>12,213,958.02</b>	<b>18,526,651.59</b>
<b>Total equity</b>	<b>12,293,958.02</b>	<b>18,606,651.59</b>

#### 9. Payables to group companies

	2018	2017
Nexstim Inc. accounts payables	0.00	313,905.26
<b>Total</b>	<b>0.00</b>	<b>313,905.26</b>

#### 10. Commitments

##### Leasing liabilities

	2018	2017
Due within next financial year	1,524.00	1,524.00
Due later	1,524.00	3,048.00
<b>Total</b>	<b>3,048.00</b>	<b>4,572.00</b>

#### 11. Guarantees

	2018	2017
Rent deposits	39,899.47	39,899.47
<b>Total</b>	<b>39,899.47</b>	<b>39,899.47</b>

# Nexstim Plc

## List of accounting books

31/12/2018

### Accounting books

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

### Voucher categories and filing method

Category	Nbr begins	Filing method
LA Purchase invoice	1	paper vouchers cd-rom
MY Sales invoice	10000	cd-rom
T1 Bank vouchers	30000	paper vouchers
Bank statements		cd-rom
PA Payroll vouchers	50000	paper vouchers
MU Others	60000	paper vouchers
KA Vouchers	20000	M2 expense claim

## Nexstim Plc

### Signing the Annual Statement

Helsinki 3/3/2019

**Martin Jamieson**  
Chairman of the Board

**Juliet Thompson**  
Deputy Chairman of the Board

**Ken Charhut**  
Member of the Board

**Rohan Hoare**  
Member of the Board

**Tomas Holmberg**  
Member of the Board

**Martin Jamieson**  
CEO

### Auditor signature

Auditors report has been given with this date:

Helsinki 3/3/2019

PricewaterhouseCoopers Oy  
Authorised Public Accountants

**Martin Grandell**  
Authorised Public Accountant (KHT)

## Auditor's Report

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 2018. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

#### Basis for Opinion

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

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

#### Independence

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

#### Material Uncertainty Related to Going Concern

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

Our opinion is not modified in respect of this matter.

#### Emphasis of Matter

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

Our opinion is not modified in respect of this matter.

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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

## Auditor's Report continued

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 3 March 2019

### PricewaterhouseCoopers Oy Authorised Public Accountants

Martin Grandell  
Authorised Public Accountant (KHT)



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