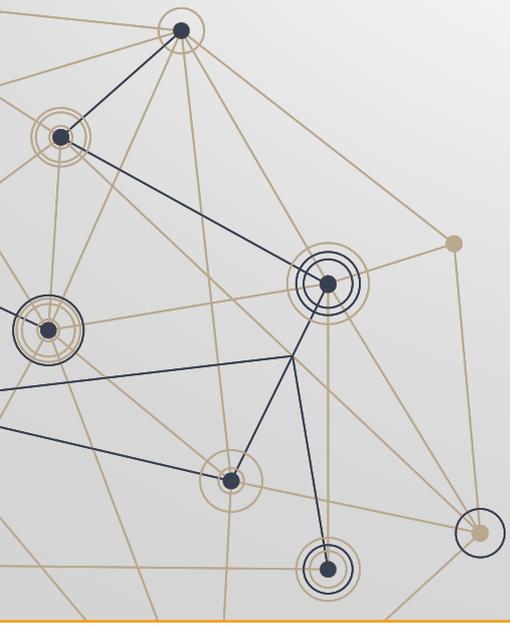


Financial statements
31 December

2016



Nexstim

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Nexstim Plc Report of the Board of Directors 2016

Nexstim Group

Nexstim is a medical technology company which has pioneered its technology in brain diagnostics with the Navigated Brain Stimulation (NBS) system. It is the first and only FDA cleared and CE marked system based on navigated Transcranial Magnetic Stimulation (nTMS) for pre-surgical mapping of the speech and motor cortices of the brain. Based on the same technology platform, the Company has developed a system called Navigated Brain Therapy (NBT®) which is CE marked for the treatment of chronic neuropathic pain, major depression and stroke.

With its NBT® system the Company is initially focusing on the rehabilitation of hand and arm movement (upper limb motor disability) which is one of the most common symptoms following a stroke. The NBT® system was tested in a Phase II proof of concept clinical trial, in which promising levels of improvement in the brain motor functions lasting throughout a six-month observation period were achieved. Nexstim initiated early 2014 a two-year clinical Phase III multicentre trial at 12 prominent rehabilitation sites in the US, aiming to demonstrate the effectiveness of the NBT system and to obtain a US Food and Drug Administration's (FDA) clearance for marketing the device for post-acute stroke treatment in the US. Nexstim stopped the Phase III multicentre trial in March 2016, due to no separation between patient groups in the futility analysis at the second milestone of 138 patients.

In June 2016 Nexstim submitted FDA 510(k) De Novo documentation for NBT® system including full data from a total of 173 patients. Based on feedback received from FDA in a meeting in September 2016, Nexstim agreed the next steps of the NBT® stroke de novo submission with the FDA. In December 2016 Nexstim received FDA's response to the proposed limited size stroke trial plan. According to FDA recommendation the data from the new trial will be combined with data from the previous phase III trial. In addition, in their response FDA stated that Nexstim's new sham coil design is appropriate for the new trial. The new trial started in February 2017 and it's expected to be completed in Q1 2018. Following efficacy results from the limited size trial Nexstim anticipates de novo 510(k) response as FDA has already reviewed the technological and safety sections of the submission. De novo 510(k) clearance would allow Nexstim to start marketing and selling the NBT® system for stroke rehabilitation in the USA.

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

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

As at the date of this report Nexstim has sold approximately 140 NBS systems, out of which 60 are for clinical use and 80 for scientific research purposes according to the Company's estimation. Nexstim's revenues have been generated from the sales of its NBS systems and from after sales activities such as training, maintenance and the sale of spare and consumable parts.

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

The registered name of the issuer is Nexstim Plc (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 and its office is located in Chicago, Illinois. 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.

Nexstim Plc Report of the Board of Directors 2016 *continued*

Key Figures of the Group

	1/12/2016 12 months €000s	1/12/2015 12 months €000s
Net sales	2,482.6	(2,527.9)
Personnel expenses	(4,253.2)	(3,969.8)
Depreciation and amortisation	(372.3)	(386.0)
Other operating expenses	(3,907.6)	(7,843.1)
Profit/(Loss) for the period	(6,732.7)	(9,827.0)
Earnings per share (EUR)	(0.56)	(1.37)
Cash flows from operating activities	(7,225.3)	(9,608.6)
Cash in hand and at banks	8,156.4	6,874.7
Total equity	4,478.5	3,545.1
Equity ratio (%)	55.12	44.16
Number of shares in the end of the period (pcs)	47,087,749	8,010,758
Average number of shares during the period (pcs)	11,950,664	7,154,868
Diluted number of shares in the end of the period (pcs)	78,830,446	8,797,698
Diluted average number of shares during the period (pcs)	15,762,543	7,941,808

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 on 1 January–31 December 2016 were EUR 2,482.6 thousand (2,527.9) which shows a decrease of -1.8 percent.

Work performed for own purpose and capitalised

Work performed for own purpose and capitalised on 1 January–31 December 2016 was EUR 26.0 thousand (44.3) and which consists of capitalised development costs.

Other operating income

Other operating income on 1 January–31 December 2016 was EUR 17.2 thousand (77.7).

Materials and services

Materials and services expenses on 1 January–31 December 2016 totalled EUR -688.6 thousand (-820.6).

Personnel expenses

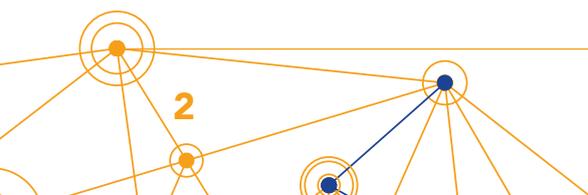
Personnel expenses on 1 January–31 December 2016 totalled EUR -4,253.2 thousand (-3,969.8). The increase in expenses was mainly due to changes in group management.

Depreciation and amortisation

Depreciation and amortisation on 1 January–31 December 2016 amounted to EUR -372.3 thousand (-386.0).

Other operating expenses

Other operating expenses on 1 January–31 December 2016 totalled EUR -3,907.7 thousand (-7,843.1). A decrease of EUR -2,546.1 thousand in full year expenses was due to lower expenses related to Phase III multi-centre trial. In addition, expenses related to legal and consulting services decreased at total of EUR -708.7.



Financial Review *continued*

Operating profit/(loss)

Operating loss on 1 January–31 December 2016 was EUR -6,696.1 thousand (-10,369.6).

Financial income and expenses

Net financial income and expenses on 1 January–31 December 2016 amounted to an expense of EUR -34.3 thousand (544.1). The financial expense consisted mainly of R&D loan interests.

Profit/(loss) before taxes

Loss before taxes on 1 January–31 December 2016 was EUR -6,730.4 thousand (-9,825.6).

Income taxes

Income taxes on 1 January–31 December 2016 was EUR -2.3 thousand (-1.4).

Profit/(loss) for the financial period

The loss for the period 1 January–31 December 2016 was EUR -6,732.7 thousand (-9,827.0).

Financial Position

Non-current assets

The Company's non-current assets were EUR 911.3 thousand (973.5). Intangible assets amounting to EUR 652.2 thousand on 31 December 2016 consist mainly of intangible assets related to capitalised development expenses and intellectual property rights. The tangible assets amounting to EUR 249.1 thousand on 31 December 2016 consist mainly of Phase III trial equipment.

Current assets

The Company's current assets amounted to EUR 9,506.0 thousand (8,232.7). The increase of current assets was mainly due to increase in cash in hand and at banks.

Equity

Consolidated shareholders' equity totalled EUR 4,478.5 thousand (3,545.1).

Liabilities

Non-current liabilities

The Company's non-current liabilities totalled EUR 3,801.9 thousand (3,244.6). The non-current liabilities of the Company consist of capital loans, other interest-bearing loans and deferred income.

Current liabilities

The Company's current liabilities totalled EUR 2,136.9 thousand (2,416.5). The current liabilities mainly consist of trade payables, other current liabilities and accrued expenses.

Financing and Liquidity

Liquid assets, consisting of cash in hand and at banks, totalled EUR 8,516.4 thousand (6,874.7).

The Company's net cash outflow from operating activities during the reporting period was EUR -7,225.3 thousand (-9,608.6). The change compared to the corresponding period in the previous year was mainly due to decrease in Phase III trial expenses during 2016.

Net cash flow from investments was EUR -310.1 thousand during the reporting period (-380.1).

Net cash flow from financing activities was EUR 8,817.0 thousand during the reporting period (5,379.8). Financing through share issues amounted to EUR 7,700.3 thousand in the twelve-month period ended 31 December 2016.

Nexstim Plc Report of the Board of Directors 2016 *continued*

Organisation and Personnel

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

The Company is organised in five operative functions:

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

At the end of the financial period 2016 Nexstim Group employed 23 full-time employees (FTEs) (2015: 32). Nexstim Plc employed 18 FTEs at the end of year 2016 (2015: 22). During the financial year 2016 Nexstim Group employed on average 29 FTEs (2015: 32 FTEs).

Strategy

The Company strategy is to focus on receiving US regulatory approval and prepare for commercialisation for its (nTMS) technology in the major therapeutic applications of post-acute stroke, depression and chronic pain. Growth through partner agreements will be targeted from the major geographic territories of Europe, USA and Asia. The pre-surgical mapping (PSM) business will adopt a distributor model to deliver further growth.

Major Events in the Financial Period

On 28 February 2016 Nexstim received interim analysis information and recommendation from Data Safety Monitoring Board (DSMB) for its Phase III stroke therapy trial in which the DSMB noted that the pre-specified stopping criteria for futility have been met and therefore the trial would not meet its primary endpoint. However, the DSMB further noted that they acknowledge that the treatments and enrolment had been completed and they recommend that the study team and subjects remain blinded and data collection be completed.

On 31 March 2016, following the Company announcement on 28 February 2016, Nexstim published a key update on Phase III Niche stroke therapy trial. Further analysis had shown clinically meaningful responses and improvement in both the active NBT[®] and sham trial groups, which led Nexstim to file a patent application on this stimulation method.

The Annual General Meeting of shareholders (AGM) was held in Helsinki on 31 March 2016. The AGM adopted the Company's financial statements, including the consolidated financial statements for the year 2015, and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM decided that no dividend would be paid for the financial year 1 January 2015–31 December 2015 and that the loss of the financial year be added to the loss account.

The AGM resolved the number of the members of the Board of Directors at seven. Ken Charhut, Johan Christenson, Rohan J. Hoare, Martin Jamieson, Katya Smirnyagina, Juliet Thompson and Juha Vapaavuori were elected to the Board; Martin Jamieson was elected as the Chair and Johan Christenson as the Deputy Chair.

The new member of the Board, Rohan J. Hoare, has extensive experience in the neuromodulation industry, including spinal cord, deep brain, vagus nerve and occipital stimulation. Most recently he was the President, Neuromodulation at LivaNova (formed by the merger of Cyberonics and Sorin Group). At Cyberonics, Rohan was the Chief Operating Officer. Prior to this he held numerous leadership positions at St Jude Medical culminating in President, Neuromodulation Division. Early in his career Rohan was a consultant with McKinsey & Co. He holds a Ph.D. in Physics from Harvard University where he was a Fulbright Scholar.

The remuneration of the members of the Board of Directors was resolved as follows: €45,000 for the Chair of the Board, €36,000 for the members of the Board domiciled in the US, €18,000 for the members domiciled in Finland, and €27,000 for the members domiciled in Europe, outside Finland. The AGM recommended that the members of the Board invest half of the above-mentioned remuneration in the Company's shares.



Major Events in the Financial Period *continued*

Further, the AGM resolved that the members of the Board committees domiciled in Finland be paid as follows for each committee meeting at which they are present: €1,000 for the Chair of the committee and €500 for the other members of the committee. The members of the Board committees domiciled in the US will be paid as follows for each committee meeting at which they are present: €2,000 for the Chair of the committee and €1,000 for the other members of the committee. The members of the Board committees domiciled in Europe but outside Finland, will be paid as follows for each committee meeting at which they are present: €1,500 for the Chair of the committee and €750 for the other members of the committee. It was decided that reasonable travel expenses of the ordinary members of the Board be compensated against receipts.

The AGM decided that a restricted share unit plan be implemented to selected members of the Board of Directors of Nexstim Plc. The plan includes four vesting periods, corresponding to the terms of office 2016-2017, 2017-2018, 2018-2019 and 2019-2020 of the member of the Board.

The aim of the plan is to commit the participants to the Company, to align the objectives of the shareholders and the participants in order to increase the value of the Company and to offer the participants a reward plan based on receiving and accumulating the Company's shares. The target group of the plan will be those members of the Board of Directors who are independent of the Company. The reward allocations in 2016 will be determined in cash.

The AGM resolved on the total gross reward allocation for the Chairman of the Board for all of the four vesting periods in order to commit the Chairman of the Board to the Company in the long term. For the Chairman of the Board, the grant gross value of the reward for the whole plan will be EUR 100,000.

The AGM decided that for each Board member who are independent from the Company the grant gross value of the reward for the vesting period 2016-2017 will be EUR 12,500. The aim is to propose equal allocations for the Board members also to the AGM 2017, 2018 and 2019.

The AGM decided that rewards from the plan will be paid to the Board members in the Company's shares within four weeks of the AGM 2017, 2018, 2019 and 2020. The allocated reward for the vesting period 2016-2017 will be paid within four weeks of the AGM 2017. 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.

On 1 April 2016 John Liedtky was appointed as VP of Commercialisation, General Manager US. Mr. Liedtky is also a member of Nexstim Management Team and is responsible for the pre-surgical mapping business and commercial development of therapeutic indications. Simultaneously, Nexstim announced retirement of John Hardin, Vice President, pre-surgical mapping from Nexstim's management team on 6 May 2016.

On 20 April 2016 the European Patent Office granted Nexstim a key patent covering its method and system for displaying the electric field generated on the brain by transcranial magnetic stimulation (TMS).

On 21 April 2016 Nexstim announced the change of CEO as Janne Huhtala stepped down as CEO of Nexstim and Martin Jamieson, Nexstim's Chairman, assumed the position of CEO.

On 26 May 2016 the Board of Directors of Nexstim Plc authorised a new stock option plan directed to the Group key employees and consultants. The maximum total number of stock options issued is 700,000, and they entitle their owners to subscribe for a maximum total of 700,000 new shares in the Company or existing shares held by the Company. The stock options will be issued with no cost to the recipients. Of the stock options, 210,000 are marked with the symbol 2016A; 256,000 are marked with the symbol 2016B; and 234,000 are marked with the symbol 2016C.

The share subscription price will be, for stock option 2016A, EUR 1,08, i.e. the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki Ltd during 26 April 2016-24 May 2016; for stock option 2016B, the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki Ltd during twenty trading days following the release date of the Company's financial statements 2016; and for stock option 2016C, the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki Ltd during twenty trading days following the release date of the Company's financial statements 2017. The share subscription price will be credited to the reserve for the Company's invested unrestricted equity.

Nexstim Plc Report of the Board of Directors 2016 *continued*

The share subscription period will be, for stock option 2016A, 1 July 2018–15 December 2023; for stock option 2016B, 1 July 2019–15 December 2024; and for stock option 2016C, 1 July 2020–15 December 2025. Approximately 20 participants, including the members of the Management Team, belong to the target group of the stock option plan.

On 28 June 2016 Nexstim submitted FDA 510(k) de novo[®] documentation for its NBT[®] system for stroke rehabilitation as a next step towards securing marketing clearance in the US.

On 28 June 2016 Nexstim announced that United States Patent and Trademark Office granted Nexstim a key patent covering its method and system for determining the status of the motor cortex and corticospinal pathways.

On 30 June 2016 Nexstim received CE mark registration for NBT[®] for treatment of chronic neuropathic pain.

On 21 July 2016 Nexstim announced a long-term financing arrangement in the form of a joint deal with Bracknor Investment and Sitra. The financing arrangements include a convertible bond facility of EUR 5 million, stand-by equity facilities of EUR 5 million and EUR 1.5 million, a directed share issuance of EUR 500,000 and warrants.

On 16 August 2016 Nexstim announced an update on its strategy and financial guidance. Due to the changes in the strategy the Company will streamline the organisation both in the US and Finland targeting total annual savings of EUR 2.3 million. The PSM business will immediately prepare to adopt a distributor model in the US.

The Extraordinary General Meeting of shareholders (EGM) was held in Helsinki on 18 August 2016. For purpose of executing the long-term financial arrangement announced on 21 July 2016, the EGM resolved on new authorisations to the Board of Directors to resolve on issues of shares to Nexstim itself, on directed share issues and on issues of special rights entitling to shares.

On 25 August 2016 Nexstim announced that Nexstim Plc terminated market making agreement with Pareto Securities AB in Nasdaq First North Finland.

On 12 September 2016 Nexstim announced that it had concluded the co-operation negotiations which started 22 August 2016 with its personnel representatives. As a conclusion, a maximum of two employment agreements would be terminated and the maximum of 2 people would be permanently laid off and one person would be working part time in the future.

Nexstim announced on 15 September 2016 that Nexstim Plc had agreed the next steps of the NBT stroke de novo submission with the FDA.

On 5 October 2016, the Company announced that Nexstim Plc key technology patent was granted in EU.

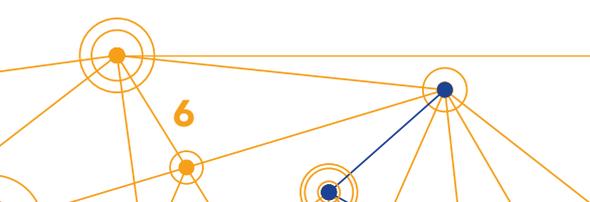
On 21 December 2016, the Company announced that Nexstim had received US Food and Drug Administration's (FDA) response and comments to its limited size trial protocol (E-FIT; Electric Field Navigated 1Hz rTMS for Post-Stroke Motor Recovery Trial).

In addition, the Company published between 18 August 2016 and 21 December 2016 in total of 29 regulatory releases about share issues as part of the Bracknor Investment and Sitra financing arrangement. According to the releases during this period a total of 38,771,239 shares were transferred to the investors.

Major Events after the Financial Period

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

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



Major Events after the Financial Period *continued*

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

In addition, the Company published between 9 January 2017 and 18 January 2017 in total of three regulatory releases about share issues as part of the Bracknor Investement and Sitra financing arrangement. According to the releases during this period a total of 10,130,631 shares were transferred to the investors.

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

Future Outlook

Based on its business forecast the Company estimates its net sales to grow during financial year 2017 and a loss is expected for the financial year.

Major Risks and Uncertainties

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

Risks relating to the Company and its business operations:

- The Company has a history of operating losses and the operations may never become profitable.
- The Company and its products are in the development phase.
- The Company may not be able to carry through the NBT[®] system's limited size stroke trial (E-FIT) in the estimated schedule or budget, finalise the trial or the trial may not show clinical efficacy.
- The Company's products will require certain authorisations before commercialisation, and currently not all required approvals or permits have been granted and there can be no assurance that such approvals and permits will be granted or successfully maintained.
- The Company may not be able to get the estimated reimbursement codes and reimbursement coverage.
- Healthcare providers and hospitals may not adopt the Company's technology and treatment modality in the estimated manner or extent.
- The Company's operations may be interrupted due to problems associated with its suppliers.
- The Company may not be able to maintain the required certifications and approvals.
- The Company may not be able to sufficiently protect or enforce intellectual property rights.
- The Company may infringe third party intellectual property rights or claims may be made against the Company on such infringements.
- A developed market for the Company's products does not exist and the market does not necessarily develop to the desired direction or extent; the technology and products of the Company may not remain competitive.
- The expected income from capitalised development costs and intangible rights may prove to be weaker than expected.
- Development of the financial condition of Group companies may be weaker than expected and which may result into difficulties in repayment of loans granted by the Parent Company.
- The Company may not be able to utilise all tax losses incurred.
- There may be changes in reported profitability or financial position due to changes in accounting regulation or possible future decision to start to apply international Financial Reporting Standards.
- The Company may become subject to product liability claims and other claims.
- The Company may in the future be involved in litigation and/or arbitration proceedings.
- The Company may be adversely affected by financial difficulties or bankruptcy of one or more of its customers, partners, supplier or other counterparty.
- The Company is reliant on its information systems.

Nexstim Plc Report of the Board of Directors 2016 *continued*

Major Risks and Uncertainties *continued*

- The Company is reliant on its ability to recruit and retain relevant key personnel.
- The Company is reliant on its ability to find and retain research partners.
- The Company has limited experience in sales, marketing and distribution.
- The Company must comply with complex legislation and regulations applicable to its business, and any breach of such legislation or regulations may have onerous consequences.
- The insurance coverage of the Company may not be comprehensive and the Company may not be fully insured against all risks.
- The Company's tax burden could increase due to changes in tax laws or regulations or their application, or as a result of future tax audits.
- Tekes funding may not be available in the future and may become repayable prematurely.
- The Company could encounter difficulties in refinancing its debt.
- The Company will need a substantial amount of additional financing in the future in order to commercialise its NBT® system, if the required approvals and permissions are acquired.
- The Company may be adversely affected by fluctuations in exchange rates.
- The Company may be adversely affected by increasing costs.
- The Company operates in global markets and is subject to changes in geopolitical and local political atmosphere.

Risks relating to the shares:

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

Risks relating to general economic conditions:

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

Share and Shareowners

As at 31 December 2016, the fully paid-up share capital of Nexstim Plc amounts to EUR 80,000.00, consisting of 47,087,749 shares. The shares have no nominal value. Nexstim has one series of shares, which have an ISIN code of FI4000102678. As at the end of financial period 2016, Nexstim had 199,677 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).

On 1 January–31 December 2016, the highest price of the Company share was EUR 6.60 (2015: EUR 7.70) and SEK 60.00 (2015: SEK 73.50), the lowest price was EUR 0.12 (2015: EUR 4.76) and SEK 1.18 (2015: SEK 43.00), and the average price was EUR 0.36 (2015: EUR 6.07) and SEK 2.46 (2015: SEK 54.04). The closing price for 2016 on 30 December 2016, was EUR 0.16 (2015: EUR 6.46) and SEK 1.46 (2015: SEK 61.25).

In public trading on 1 January–31 December 2016, a total of 129,127,526 shares were traded, which corresponds to 1,080.5 percent of the average number of shares on the said period. On 1 January–31 December 2016, there were 11,950,664 shares on the average.

The market value of the share capital at the closing price of 2016, EUR 0.16 and SEK 1.46, on 30 December 2016, was EUR 7,534 thousand (2015: EUR 51,749) and SEK 68,748 thousand (2015: 490,659).



Share and Shareowners *continued*

On 31 December 2016, the Company had 931 (2015: 437) shareowners including the nominee registers (six registers). The share of nominee registered ownership was 73.5 percent (2015: 55.9) of the total number of shares.

Nexstim Plc Board of Directors had on 31 December 2016 the following authorisations granted.

The 31 March 2016 AGM decided to authorise the Board of Directors to decide on share issue as well as issue of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. The shares issued under the authorisation are new or those in the Company's possession. Under the authorisation, a maximum of 950,000 shares can be issued. This number corresponds to approximately 10.5 percent of all of the shares in the Company after the share issue, provided that all new shares are issued. The authorisation is valid for five (5) years from the decision of the AGM. The Company intends to use the authorisation to the implementation of the restricted share unit plan or the members of the Board of Director's and for the long-term incentive plans for the management and the personnel of the Company. On May 25, 2016, the Board of Directors resolved on a new stock option plan on the basis of the authorisation granted by the Company's AGM held on 31 March 2016. The maximum total number of stock options issued is 700,000 and as such at the end of the reporting period the authorisation left is for a maximum of 250,000 shares.

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Nexstim Plc shareowners at the end of 2016 was as follows:

	Shareholder	No. of shares	Holding %
1.	Nordea Bank Finland Plc*	31,193,978	66.25
2.	The Finnish National Fund for Research and Development Sitra	4,741,876	10.07
3.	Svenska Handelsbanken AB (publ), Branch Operation in Finland*	2,202,843	4.68
4.	Clearstream Banking S.A.*	669,224	1.42
5.	Haapaniemi Ossi	500,786	1.06
6.	Haapaniemi O.Law Oy	400,365	0.85
7.	Tuomela Matti Veikko Antero	359,381	0.76
8.	Danske Bank Plc*	339,892	0.72
9.	Ilmarinen Mutual Pension Insurance Company	319,643	0.68
10.	Amra Oy	235,000	0.50
11.	Nexstim Plc	199,677	0.42
12.	OP-Delta Fund	198,987	0.42
13.	Bayan Emrullah	190,180	0.40
14.	Wikberg Ilkka Sakari	186,657	0.40
15.	Skandinaviska Enskilda Banken AB*	160,090	0.34
16.	Valjakka Juha Matti	154,309	0.33
17.	Puttonen Vesa	120,000	0.25
18.	Ilmoniemi Risto Juhani	119,541	0.25
19.	Paloheimo Asset Management Oy	118,365	0.25
20.	Ihantola Markku Wilhelm	115,000	0.24

* 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 2016: Martin Jamieson (Chairman), Johan Christenson (Deputy Chairman), Kenneth Charhut, Rohan J. Hoare (since 31 March 2016), Ekaterina Smirnyagina, Juliet Thompson and Juha Vapaavuori. The Board of Directors convened 49 times during 2016.

CEO

Martin Jamieson (since 21 April 2016) and Janne Huhtala (until 21 April 2016) acted as CEO of Nexstim Plc and Group during 2016.

Nexstim Plc Report of the Board of Directors 2016 *continued*

Board of Directors and the Company's Management *continued*

Management team

The following members were part of Nexstim Group management team during 2016: Martin Jamieson (CEO since 21 April 2016), Janne Huhtala (CEO until 21 April 2016), Henri Hannula (Vice President, Sales Europe), John Hardin (Vice President, PSM Commercialisation until 6 May 2016), Rainer Harjunpää (Vice President, Quality Assurance and Regulatory Affairs, After Sales and Services), Gustaf Järnefelt (Vice President, R&D), Mikko Karvinen (CFO), Jarmo Laine (Vice President, Medical Affairs), John Liedtky (VP of Commercialisation, General Manager US since 1 April 2016 and Petriina Puolakka (Vice President, Legal Affairs).

Board of Directors' Proposal on the Dividend

During its existence, the Company's operations have been unprofitable and no dividend has been distributed. In the forthcoming years, the Company will focus on financing the growth and the development of its business and the Company will adhere to a very stringent dividend policy, tied to the Company's results and financial standing. The Company does not expect to be able to distribute dividends in the near future. Further, the Company has reduced its share capital for loss coverage on 29 September 2014. Therefore, pursuant to the Finnish Companies Act, all distributions of unrestricted equity to the shareholders by the Company are subject to a three months public summons to the creditors until 3 October 2017. In the event dividends are distributed, all shares entitle to equal dividends.

At the end of the financial period of 2016, the distributable assets of the Group's Parent Company were EUR 16,731,902.69. The Board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2016.

Consolidated Financial Statements

Profit and Loss Statement for the financial year ended 31 December 2016

	Note	1 January – 31 December 2016 €	1 January – 31 December 2015 €
NET SALES	2	2,482,600.08	2,527,870.30
Work performed for own purpose and capitalised		26,014.83	44,330.50
Other operating income	3	17,151.36	77,651.91
Materials and services			
Materials			
Purchases during the financial year		(560,458.30)	(995,320.96)
Increase (+) decrease (-) in inventories		(128,110.62)	174,761.94
External services		(59.99)	0.00
Total		(688,628.91)	(820,559.02)
Personnel expenses	4		
Wages and salaries		(3,602,272.77)	(3,292,343.09)
Social security expenses			
Pension expenses		(348,988.29)	(394,083.11)
Other social security expenses		(301,958.12)	(283,400.45)
Total		(4,253,219.18)	(3,969,826.65)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(372,321.29)	(385,979.97)
Total		(372,321.29)	(385,979.97)
Other operating expenses	5	(3,907,660.57)	(7,843,135.20)
OPERATING PROFIT/(LOSS)		(6,696,063.68)	(10,369,648.13)
Financial income and expenses	6		
Other interest income and other financial income		134.05	1,930,829.01
Interest and other financial expenses		(34,477.84)	(1,386,776.10)
Total		(34,343.79)	544,052.91
PROFIT/(LOSS) BEFORE TAXES		(6,730,407.47)	(9,825,595.22)
Income taxes		(2,298.09)	(1,383.35)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(6,732,705.56)	(9,826,978.57)

Balance Sheet

for the financial year ended 31 December 2016

	Note	31 December 2016 €	31 December 2015 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	7	66,252.93	76,727.17
Intangible rights		585,969.69	553,916.13
Total		652,222.62	630,643.30
Tangible assets			
Machinery and equipment	8	249,067.93	332,903.43
Total		249,067.93	332,903.43
Investments			
Other shares and similar rights of ownership	9	10,000.00	10,000.00
Total		10,000.00	10,000.00
NON-CURRENT ASSETS TOTAL		911,290.55	973,546.73
CURRENT ASSETS			
Inventories			
Raw materials and consumables		292,261.72	421,458.23
Total		292,261.72	421,458.23
Receivables			
Trade receivables		789,375.79	659,267.18
Loan receivables		0.00	5,499.45
Prepayments and accrued income	10	161,014.46	114,482.16
Other receivables		106,983.13	157,286.73
Total		1,057,373.38	936,535.52
Cash in hand and at banks		8,156,367.96	6,874,727.45
CURRENT ASSETS TOTAL		9,506,003.06	8,232,721.20
ASSETS TOTAL		10,417,293.61	9,206,267.93

Balance Sheet *continued* for the financial year ended 31 December 2016

	Note	31 December 2016 €	31 December 2015 €
EQUITY AND LIABILITIES			
EQUITY			
	11		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		31,692,606.88	23,582,336.26
Retained earnings/loss		(20,561,408.62)	(10,290,266.75)
Profit/loss for the financial year		(6,732,705.56)	(9,826,978.57)
TOTAL EQUITY		4,478,492.70	3,545,090.94
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans	12	1,250,000.00	500,000.00
Other interest-bearing loans	13	2,528,349.44	2,697,433.44
Deferred income	13	23,600.00	47,200.00
Total		3,801,949.44	3,244,633.44
CURRENT LIABILITIES			
Trade payables		397,311.65	1,084,369.75
Other liabilities		1,011,977.28	384,103.55
Accrued expenses	14	727,562.54	948,070.25
Total		2,136,851.47	2,416,543.55
TOTAL LIABILITIES		5,938,800.91	5,661,176.99
EQUITY AND LIABILITIES TOTAL		10,417,293.61	9,206,267.93

Consolidated Cash Flow Statement for the financial year ended 31 December 2016

	1 January – 31 December 2016 €000s	1 January – 31 December 2015 €000s
Cash flows from operating activities		
Profit/(Loss) for the financial period	(6,732.7)	(9,827.0)
Adjustments:		
Depreciation and amortisation according to plan	372.3	386.0
Other adjustments (income -/ expense +)	(444.2)	(497.9)
Financial income and expenses	(34.3)	544.1
Cash flows before change in working capital	(6,838.9)	(9,394.8)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	298.8	347.3
Increase (-) or decrease (+) in inventories	129.2	(174.8)
Increase (+) or decrease (-) in current interest-free payables	(839.2)	157.7
Cash flows from operations before financial items and taxes	(7,250.1)	(9,064.6)
Interest and other financial expenses paid	24.8	(544.0)
Cash flows from operating activities (A)	(7,225.3)	(9,608.6)
Cash flows from investing activities		
Investments in intangible and tangible assets	(310.1)	(380.1)
Cash flows from investments (B)	(310.1)	(380.1)
Cash flows from financing activities		
Share issue	7,700.3	5,280.0
Drawing of short-term loans (+)		
Drawing of long-term loans (+)	1,116.7	99.8
Cash flows from financing activities (C)	8,817.0	5,379.8
Change in cash in hand and at banks	1,281.6	(4,608.9)
Cash in hand and at banks in the beginning of the period	6,874.7	11,483.7
Cash in hand and at banks at end of the period	8,156.4	6,874.7

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 and warrants.
19. Restricted Share Unit Plans

Valuation principles and methods

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

Depreciation and amortisation periods are:

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

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

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

Items denominated in foreign currency

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

Revenue recognition

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

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

Notes to the Financial Statements *continued*

1. Accounting Principles *continued*

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

	2016 €	2015 €
NBS/NBT systems	1,935,387.90	1,984,895.97
Other	547,213.18	542,974.33
Total	2,482,600.08	2,527,870.30

Net Sales by geographical area

	2016 €	2015 €
Finland	154,594.95	138,425.15
Rest of Europe*	1,370,661.91	1,316,200.87
USA	725,869.81	750,161.18
Other	231,473.41	323,083.10
Total	2,482,600.08	2,527,870.30

* including Russia

3. Other Operating Income

	2016 €	2015 €
Other income	17,151.36	4,032.91
Government grants	0.00	73,619.00
Total	17,151.36	77,651.91

4. Personnel Expenses

	2016 €	2015 €
Wages and salaries	(3,602,272.77)	(3,292,343.09)
Pension expenses	(348,988.29)	(394,083.11)
Other social security expenses	(301,958.12)	(283,400.45)
Total	(4,253,219.18)	(3,969,826.65)

	2016 FTE	2015 FTE
Average number of personnel	29	32

Salaries and bonuses of Directors

	2016 €	2015 €
CEO*	505,600.13	296,117.94
Board of Directors	184,850.50	98,190.20
Total	690,450.63	394,308.14

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

Notes for Profit and Loss Account *continued*

5. Other Operating Expenses

	2016 €	2015 €
Multi-centre stroke trial direct costs	(1,153,190.14)	(3,699,273.19)
Legal and consulting services	(528,298.03)	(1,236,956.66)
Travel expenses	(697,127.62)	(670,316.18)
Development expenses	(164,696.40)	(241,370.41)
Marketing expenses	(206,245.31)	(203,347.45)
Premise costs	(165,531.05)	(182,317.52)
Voluntary social costs	(56,252.56)	(86,267.41)
Other	(936,319.46)	(1,523,286.38)
Total	(3,907,660.57)	(7,843,135.20)

Auditor's fees

	2016 €	2015 €
Audit	25,000.00	28,013.00
Total	25,000.00	28,013.00

6. Financial Income and Expenses

	2016 €	2015 €
Other interest income and other financial income	134.05	1,930,829.01
Interest and other financial expenses	(34,477.84)	(1,386,776.10)
Total	(34,343.79)	544,052.91

Notes for Balance Sheet

7. Intangible Assets

Development costs

	2016 €	2015 €
1 January	76,727.17	82,989.57
Increases	26,014.83	44,330.50
Planned depreciation	(36,489.07)	(50,592.90)
31 December	66,252.93	76,727.17

Intangible rights (Patents)

	2016 €	2015 €
1 January	553,916.13	443,965.71
Increases	284,009.54	333,213.37
Planned depreciation	(251,955.98)	(223,262.95)
31 December	585,969.69	553,916.13

8. Tangible Assets

Machinery and equipment

	2016 €	2015 €
1 January	332,903.43	442,460.38
Increase	0.00	2,567.17
Planned depreciation	(83,835.50)	(112,124.12)
31 December	249,067.93	332,903.43

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

	2016 €	2015 €
Wage and salary receivables	0.00	0.00
Tekeles grants	0.00	0.00
Other prepayments and accrued income	161,014.46	114,482.16
Total	161,014.46	114,482.16

Notes for Balance Sheet *continued*

11. Equity

	2016 €	2015 €
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	23,582,336.26	18,302,336.26
Increases	8,110,270.62	5,280,000.00
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	31,692,606.88	23,582,336.26
Retained earnings/(Loss) 1 January	(20,117,245.33)	(9,792,396.20)
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	(444,163.29)	(497,870.56)
Profit/(Loss) for the period	(6,732,705.56)	(9,826,978.57)
Retained earnings/loss 31 December	(27,294,114.18)	(20,117,245.33)
Total unrestricted equity	4,398,492.70	3,465,090.94
Total equity	4,478,492.70	3,545,090.94

Consolidated statement of changes in total equity

	Share capital €000s	Share issue €000s	Share premium account €000s	Reserve for invested unrestricted equity €000s	Retained earnings €000s	Equity total €000s
Equity on 31 December 2015	80.0	0.0	0.0	23,582.3	(20,117.2)	3,545.1
Issue of shares				8,110.3		
Profit/(Loss) for the period					(6,732.7)	
Translation difference					(444.1)	
Equity on 31 December 2016	80.0	0.0	0.0	31,692.6	(27,294.1)	4,478.5

	Share capital €000s	Share issue €000s	Share premium account €000s	Reserve for invested unrestricted equity €000s	Retained earnings €000s	Equity total €000s
Equity on 31 December 2014	80.0	0.0	0.0	18,302.3	(9,792.4)	8,589.9
Issue of shares				5,280.0		
Profit/(Loss) for the period					(9,827.0)	
Translation difference					(497.9)	
Equity on 31 December 2015	80.0	0.0	0.0	23,582.3	(20,117.2)	3,545.1

12. Capital Loans

	2016 €	2015 €
1 January	500,000.00	500,000.00
Increases	850,000.00	0.00
Reductions	(100,000.00)	0.00
31 December	1,250,000.00	500,000.00

Capital loan from Tekes

Main terms of the capital loan granted by Tekes are:

- Interest rate is one percent lower than the valid basic interest rate. However, the interest rate is always at least 3% p.a.
- The principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the Company.
- The principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the Company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements.
- Loan period is eight years, of which first five years are free of repayment:
 - there is no collateral for the loan; and
 - the accrued interest in accordance with the Tekes loan terms has not been recognised as an interest expense for financial year 2016.

The Company has on 2 June 2015 agreed on a new payment plan with Valtiokonttori related to 8 February 2001 signed capital loan agreement of EUR 500.0 thousand. The Company paid on 1 June 2015 loan interests total of EUR 198.3 thousand to Valtiokonttori. According to the new payment plan the capital will be repaid in full during the years 2016–2020 in fixed amortisation schedule. The accumulated accrued unpaid interest on the capital loans of the Company amounted to EUR 57.6 thousand at 31 December 2016 and it has not been recognised as an expense in income statement or as a liability on the balance sheet.

	€
Tekes capital loan balance 31 December 2016	400,000.00

Convertible loan from Bracknor

Main terms of the convertible loan from Bracknor Investment are:

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

	2016 €	2015 €
1 January	0.00	0.00
Increases	5,000,000.00	0.00
Reductions	(4,150,000.00)	0.00
31 December	850,000.00	0.00

Notes for Balance Sheet *continued*

13. Non-Current Liabilities

Non-current liabilities

	2016 €	2015 €
Capital loans, Tekes	400,000.00	500,000.00
Convertible bonds, Bracknor	850,000.00	0.00
Product development loans from Tekes	2,528,349.44	2,697,433.44
Deferred income	23,600.00	47,200.00
Total	3,801,949.44	3,244,633.44

Maturity of interest-bearing liabilities

	2016 €	2015 €
Interest-bearing liabilities total	3,794,733.44	3,504,413.44
Due later than 5 years	0.00	0.00

14. Accrued Expenses

	2016 €	2015 €
Holiday accrual	229,869.80	292,116.08
Accrued interest	11,200.13	11,128.82
Accrued pension expenses	27,508.61	36,598.06
Other accrued expenses	458,984.00	608,227.29
Total	727,562.54	948,070.25

15. Commitments

Leasing liabilities

	2016 €	2015 €
Due within next financial year	68,613.22	70,452.16
Due later	8,116.26	3,352.03
Total	76,729.48	73,804.19

16. Guarantees

	2016 €	2015 €
Rent deposits	55,048.49	30,985.21
Total	55,048.49	30,985.21

17. Shares of the Company

Shares of the Company consist of following share classes:

	2016 (pcs)	2015 (pcs)
A (1 vote/share)	47,087,749	8,010,758
	47,087,749	8,010,758

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; 2010A, 2011A, 2013A and 2016. At the date of this report the Company held a total of 72,268 stock options under the stock option plan 2013A. In addition, the Company held all 700,000 stock options under the stock option plan 2016. All other stock options have been granted free of charge. The stock options will be offered to the key personnel and management of the Company and its subsidiaries for incentive and commitment purposes.

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

Option scheme	Subscription price/share	Maximum amount of option rights	Subscription period
2010A	EUR 0.01	42,770 shares*	19.6.2010-31.12.2016
2011A	EUR 0.01	0 shares	19.4.2011-31.12.2016
2013A	EUR 0.01	604,512 shares*	1.12.2013-31.12.2020
2016A	EUR 1.08	210,000 shares	1.7.2018-15.12.2023
2016B	**	256,000 shares	1.7.2019-15.12.2024
2016C	***	234,000 shares	1.7.2020-15.12.2025

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

** For stock option 2016B, the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during twenty trading days following the release date of the Company's financial statements 2016

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

Holdings of the Board of Directors and management team	(%)
Ownership based on proportion of total number of issued shares	0.60
Ownership based on proportion of total number of issued shares and option rights*	0.59
Proportion of votes based on ownership of shares	0.60
Proportion of votes based on ownership of shares and option rights*	0.59

* Assuming that all stock options are exercised

Nexstim has, on 21 July 2016, separately with Bracknor and Sitra, entered into agreements concerning the Warrants as follows. In connection with the CBF Agreement entered into with Bracknor, Bracknor receives Warrants together with the first 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.

Notes for Balance Sheet *continued*

18. Stock Options and Warrants *continued*

Warrant	Exercise price/share	Maximum amount of warrants	Expiry date
CBF1	EUR 0.8539	378,871 shares	18 August 2020
CBF2	EUR 0.5013	645,419 shares	22 September 2020
CBF3	EUR 0.3381	1,026,947 shares	20 October 2020
CBF4	EUR 0.3035	2,231,545 shares	8 November 2020
CBF5	EUR 0.2900	4,463,090 shares	16 November 2020
CBF6	EUR 0.2773	10,033,864 shares	5 December 2020
CBF7	EUR 0.1411	6,991,703 shares	30 December 2020
SEDA1	EUR 0.6571	482,822 shares	1 November 2019
SEDA2	EUR 0.6571	781,041 shares	11 November 2019
SEDA3	EUR 0.6571	853,564 shares	17 November 2019
SEDA4	EUR 0.6571	1,438,228 shares	28 November 2019
SITRA1	EUR 0.6571	251,652 shares	22 August 2019
SITRA2	EUR 0.6571	816,669 shares	5 December 2019

CBF1-7 warrants have been issued as part of the Bracknor convertible bond facility (CBF) agreement between 18 August 2016 and 30 December 2016. SEDA1-4 Warrants have been issued as part of the Bracknor stand-by equity distribution agreement (SEDA) between 1 November 2016 and 28 November 2016. SITRA1 Warrants have been issued as part of the direct share issuance to Sitra on 22 August 2016 and SITRA 2 Warrants have been issued as part of the SEDA share issues to Sitra on 5 December 2016.

19. Restricted Share Unit Plans

The Annual General Meeting of shareholders decided on 31 March 2016 that a restricted share unit plan be implemented to selected members of the Board of Directors of Nexstim Plc. The plan includes four vesting periods, corresponding to the terms of office 2016–2017, 2017–2018, 2018–2019 and 2019–2020 of the member of the Board. The aim of the plan is to commit the participants to the Company, to align the objectives of the shareholders and the participants in order to increase the value of the Company and to offer the participants a reward plan based on receiving and accumulating the Company's shares. The target group of the plan will be those members of the Board of Directors who are independent of the Company. The reward allocations in 2016 will be determined in cash.

Total allocation for the Chairman of the Board

The total gross reward allocation for the Chairman of the Board for all of the four vesting periods in order to commit the Chairman of the Board to the Company in the long term. For the Chairman of the Board, the grant gross value of the reward for the whole plan will be EUR 100,000.

The granted reward will be converted into restricted share units at the beginning of the first vesting period in 2016. 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 in 2016. In the plan, one restricted share unit corresponds to one Company's share. The value of the payable reward will be determined on the basis of the share price on the book-entry registration date of the paid shares.

The reward from the plan will be paid to the Chairman of the Board in the Company's shares so that one fourth of the total reward will be paid within four weeks of the Annual General Meeting of shareholders 2017, 2018, 2019 and 2020. The Company will withhold taxes and employment related expenses from the cash proportion of the reward according to law in force. Should the Chairman of the Board cease to be a Chairman of the Board before the end of a vesting period, no reward will be paid to him on the basis of such vesting period.

19. Restricted Share Unit Plans *continued*

Allocation for Board members for the vesting period 2016–2017

For each Board member who independent from the Company the grant gross value of the reward for the vesting period 2016-2017 will be EUR 12,500. The aim is to propose equal allocations for the Board members also to the Annual General Meetings of shareholders 2017, 2018 and 2019.

The granted reward will be converted into restricted share units at the beginning of the vesting period, in 2016. 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 in 2016. In the plan, one restricted share unit corresponds to one Company's share. The value of the payable reward will be determined on the basis of the share price on the book-entry registration date of the paid shares.

The rewards from the plan will be paid to the Board members in Company's shares within four weeks of the Annual General Meeting of shareholders 2017, 2018, 2019 and 2020. The allocated reward for the vesting period 2016-2017 will be paid within four weeks of the Annual General Meeting of shareholders 2017. 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.

Parent Company Financial Statements

Profit and Loss Statement for the financial year ended 31 December 2016

	Note	1 January – 31 December 2016 €	1 January – 31 December 2015 €
NET SALES		1,691,417.23	2,173,329.09
Work performed for own purpose and capitalised		26,014.83	44,330.50
Other operating income	2	979,491.00	741,645.34
Materials and services			
Materials			
Purchases during the financial year		(574,590.86)	(985,655.40)
Increase (+) decrease (-) in inventories		(33,162.57)	120,484.89
Total		(607,753.43)	(865,170.51)
Personnel expenses			
Wages and salaries		(2,478,655.87)	(2,200,151.32)
Social security expenses			
Pension expenses		(348,988.29)	(394,083.11)
Other social security expenses		(87,553.17)	(65,627.04)
Total		(2,915,197.33)	(2,659,861.47)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(370,499.37)	(383,261.58)
Total		(370,499.37)	(383,261.58)
Other operating expenses		(3,158,798.68)	(6,458,807.44)
OPERATING PROFIT/(LOSS)		(4,355,325.75)	(7,407,796.07)
Financial income and expenses	3		
Other interest income and other financial income		851,677.50	2,533,658.64
Interest and other financial expenses		(23,004.45)	(1,373,216.48)
Total		828,673.05	1,160,442.16
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(3,526,652.70)	(6,247,353.91)

Balance Sheet

for the financial year ended 31 December 2016

	Note	31 December 2016 €	31 December 2015 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
	4		
Development expenditure		66,252.93	76,727.17
Intangible rights		585,968.69	553,915.13
Total		652,221.62	630,642.30
Tangible assets			
	5		
Machinery and equipment		246,162.83	328,217.15
Total		246,162.83	328,217.15
Investments			
	6		
Investments in Group companies		408,896.52	408,896.52
Long-term receivables from Group companies		9,717,170.03	7,990,999.17
Other shares and similar rights of ownership		10,000.00	10,000.00
Total		10,136,066.55	8,409,895.69
NON-CURRENT ASSETS TOTAL		11,034,451.00	9,368,755.14
CURRENT ASSETS			
Inventories			
Raw materials and consumables		292,261.72	325,424.29
Total		292,261.72	325,424.29
Receivables			
Trade receivables		317,614.29	374,747.23
Short-term receivables from Group companies	7	2,807,449.89	1,104,459.03
Loan receivables		0.00	5,499.45
Prepayments and accrued income		104,277.07	46,329.49
Other receivables		86,720.86	132,794.01
Total		3,316,062.11	1,663,829.21
Cash in hand and at banks		8,027,978.00	6,549,137.90
CURRENT ASSETS TOTAL		11,636,301.83	8,538,391.40
ASSETS TOTAL		22,670,752.83	17,907,146.54

Balance Sheet *continued* for the financial year ended 31 December 2016

	Note	31 December 2016 €	31 December 2015 €
EQUITY AND LIABILITIES			
EQUITY			
	8		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		31,692,606.88	23,582,336.26
Retained earnings/loss		(11,434,051.49)	(5,186,697.58)
Profit/loss for the financial year		(3,526,652.70)	(6,247,353.91)
TOTAL EQUITY		16,811,902.69	12,228,284.77
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans		1,250,000.00	500,000.00
Other interest-bearing loans		2,528,349.44	2,697,433.44
Deferred income		23,600.00	47,200.00
Total		3,801,949.44	3,244,633.44
CURRENT LIABILITIES			
Trade payables		322,096.12	852,059.38
Payables to Group companies	9	147,130.65	320,650.34
Other liabilities		915,024.73	360,565.20
Accrued expenses		672,649.20	900,953.41
Total		2,056,900.70	2,434,228.33
TOTAL LIABILITIES		5,858,850.14	5,985,841.77
EQUITY AND LIABILITIES TOTAL		22,670,752.83	17,907,146.54

Parent Company Cash Flow Statement for the financial year ended 31 December 2016

	1 January – 31 December 2016 €000s	1 January – 31 December 2015 €000s
Cash flows from operating activities		
Profit/(Loss) for the financial period	(3,526.7)	(6,247.4)
Adjustments:		
Depreciation and amortisation according to plan	370.5	383.3
Other adjustments (income -/ expense +)		
Financial income and expenses	(828.7)	(1,160.4)
Cash flows before change in working capital	(3,984.8)	(7,024.5)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(2,107.3)	(3,668.4)
Increase (-) or decrease (+) in inventories	33.2	(120.5)
Increase (+) or decrease (-) in current interest-free payables	(936.8)	60.8
Cash flows from operations before financial items and taxes	(6,995.7)	(10,752.6)
Interest and other financial expenses paid	(32.4)	1,160.4
Cash flows from operating activities (A)	(7,028.1)	(9,592.2)
Cash flows from investing activities		
Investments in intangible and tangible assets	(310.0)	(377.5)
Cash flows from investments (B)	(310.0)	(377.5)
Cash flows from financing activities		
Share issue	7,700.3	5,280.0
Drawing of long-term loans (+)	1,116.7	99.8
Cash flows from financing activities (C)	8,817.0	5,379.8
Change in cash in hand and at banks	1,478.8	(4,590.0)
Cash in hand and at banks in the beginning of the period	6,549.1	11,139.1
Cash in hand and at banks at end of the period	8,027.9	6,549.1

Notes to the Parent Company Financial Statements

1. Accounting Principles

Principles of the financial statements

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



Notes for Profit and Loss Account

2. Other Operating Income

	2016 €	2015 €
Other income	979,491.00	668,026.34
Government grants	0.00	73,619.00
Total	979,491.00	741,645.34

3. Financial Income and Expenses

	2016 €	2015 €
Other interest income and other financial income	851,677.50	2,533,658.64
Interest and other financial expenses	(23,004.45)	(1,373,216.48)
Total	828,673.05	1,160,442.16

Notes for Balance Sheet

4. Intangible Assets

Development costs

	2016 €	2015 €
1 January	76,727.17	82,989.57
Increase	26,014.83	44,330.50
Planned depreciation	(36,489.07)	(50,592.90)
31 December	66,252.93	76,727.17

Intangible rights (Patents)

	2016 €	2015 €
1 January	553,915.13	443,964.71
Increases	284,009.54	333,213.37
Planned depreciation	(251,955.98)	(223,262.95)
31 December	585,968.69	553,915.13

5. Tangible Assets

Machinery and equipment

	2016 €	2015 €
1 January	328,217.15	437,622.88
Increase	0.00	0.00
Planned depreciation	(82,054.32)	(109,405.73)
31 December	246,162.83	328,217.15

6. Investments

Holdings in Group undertakings

Name	Domicile	%	Book value €
Nexstim Inc.	United States of America	100 %	948.68
Nexstim Ltd.	England	100 %	1,167.98
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

	2016 €	2015 €
Nexstim Inc. loan receivables	9,407,123.61	7,730,365.57
Nexstim Germany GmbH loan receivables	200,000.00	150,000.00
Nexstim Ltd loan receivables	110,046.42	110,633.60
Total	9,717,170.03	7,990,999.17

Other shares

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

7. Short-term Receivables from Group Companies

	2016 €	2015 €
Nexstim Inc. accounts receivables	901,456.69	346,317.67
Nexstim Germany GmbH accounts receivables	814,709.09	565,914.56
Nexstim Ltd accounts receivables	4,726.14	5,513.22
Nexstim Inc. interest receivables	1,055,585.20	180,619.29
Nexstim Germany GmbH interest receivables	20,413.87	3,620.06
Nexstim Ltd interest receivables	10,558.90	2,474.23
Total	2,807,449.89	1,104,459.03

8. Equity

	2016 €	2015 €
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	23,582,336.26	18,302,336.26
Increases	8,110,270.62	5,280,000.00
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	31,692,606.88	23,582,336.26
Retained earnings/(Loss) 1 January	(11,434,051.49)	(5,186,697.58)
Adjustments for previous years	0.00	0.00
Translation difference	0.00	0.00
Profit/(Loss) for the period	(3,526,652.70)	(6,247,353.91)
Retained earnings/(Loss) 31 December	(14,960,704.19)	(11,434,051.49)
Total unrestricted equity	16,731,902.69	12,148,284.77
Total equity	16,811,902.69	12,228,284.77

9. Payables to Group Companies

	2016 €	2015 €
Nexstim Inc. accounts payables	147,130.65	320,650.34
Total	147,130.65	320,650.34

10. Commitments

Leasing liabilities

	2016 €	2015 €
Due within next financial year	1,548.00	4,644.00
Due later	1,548.00	3,096.00
Total	3,096.00	7,740.00

11. Guarantees

	2016 €	2015 €
Rent deposits	39,894.46	30,985.21
Total	39,894.46	30,985.21

Nexstim Plc

List of Accounting Books

31.12.2016

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 27 February 2017

Martin Jamieson
Chairman of the Board

Johan Christenson
Deputy Chairman of the Board

Ken Charhut
Member of the Board

Rohan Hoare
Member of the Board

Katya Smirnyagina
Member of the Board

Juliet Thompson
Member of the Board

Juha Vapaavuori
Member of the Board

Martin Jamieson
CEO

Auditor's signature

Auditor's report has been given with this date

Helsinki 27 February 2017

PricewaterhouseCoopers Oy, Authorised Public Accountant (KHT)

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 1628881-1) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

Basis for Opinion

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

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

Independence

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

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

The Board of Directors and the Managing Directors 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 Directors 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 Directors are responsible for assessing the parent company's and the group's ability to continue as 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 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 on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

Auditor's Report *continued*

To the Annual General Meeting of Nexstim Plc

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Directors are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Remark

Remark

We remark, that the Board of Directors has exceeded its' authorisation to issue new shares and special rights. The extraordinary shareholders meeting, held on February 20, 2017, has retrospectively approved the issued new shares and special rights. Our opinion is not modified with regards to this remark.

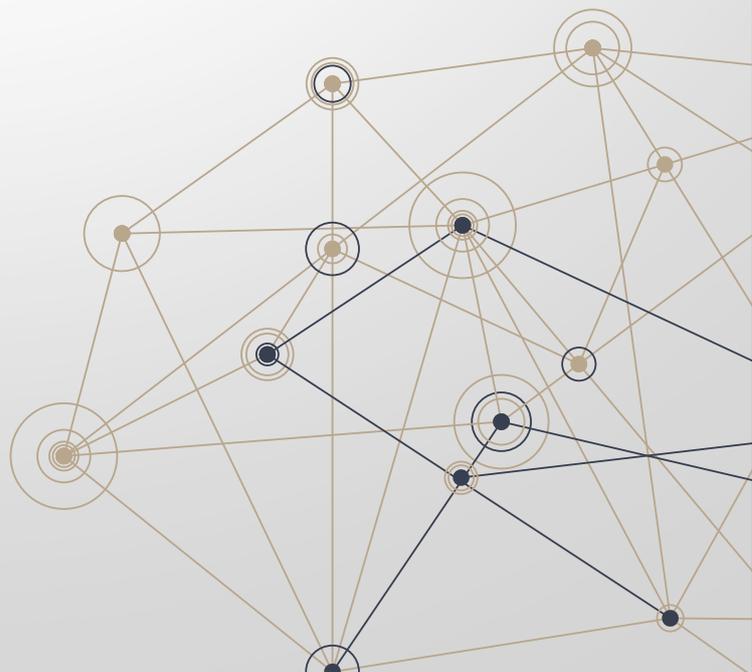
Helsinki 27 February 2017

PricewaterhouseCoopers Oy

Authorised Public Accountants

Martin Grandell

Authorised Public Accountant (KHT)



Nexstim Plc

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